IREITGlobal

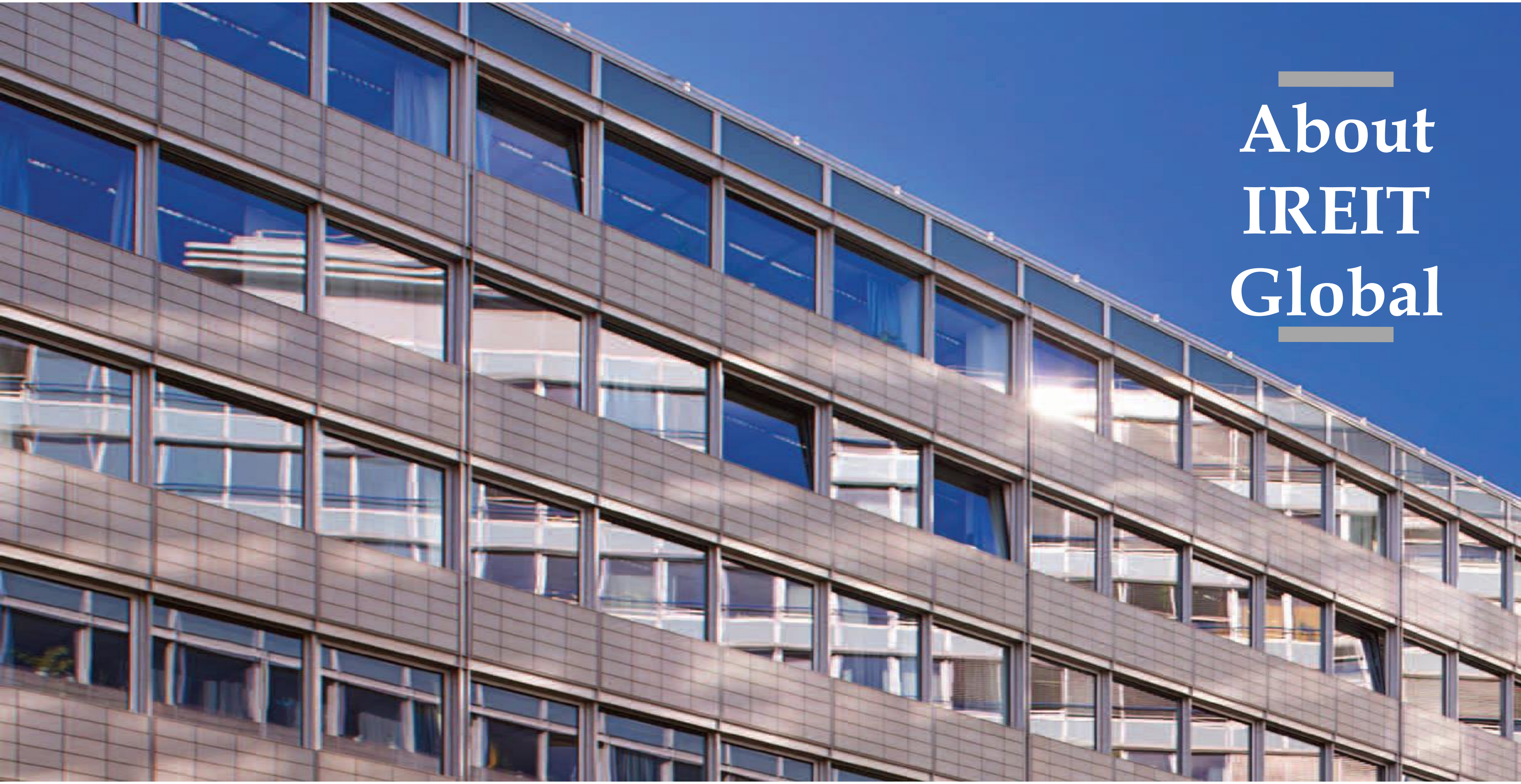
# 4Q2018 and FY2018 Results Presentation

**20 February 2019**

# Agenda

- About IREIT Global
- Key Highlights
- Portfolio Summary
- European Market Review
- Looking Ahead
- Appendix : Overview of Tikehau Capital

# About IREIT Global

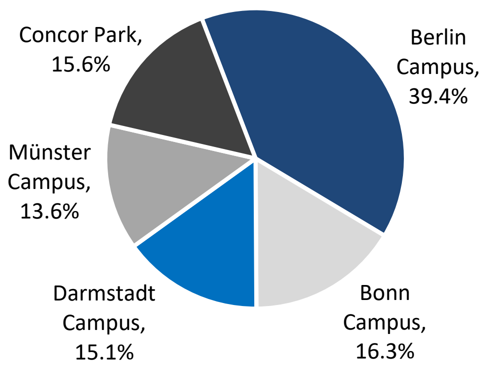


# About IREIT Global

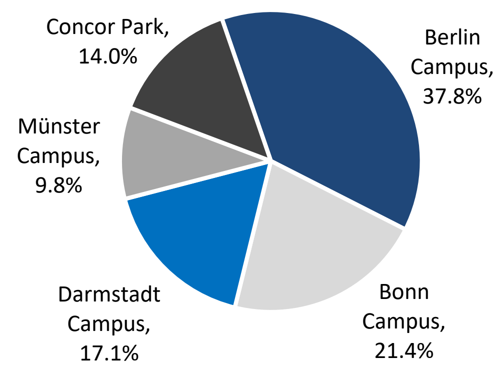
## First Singapore-listed REIT with Europe-focused Mandate

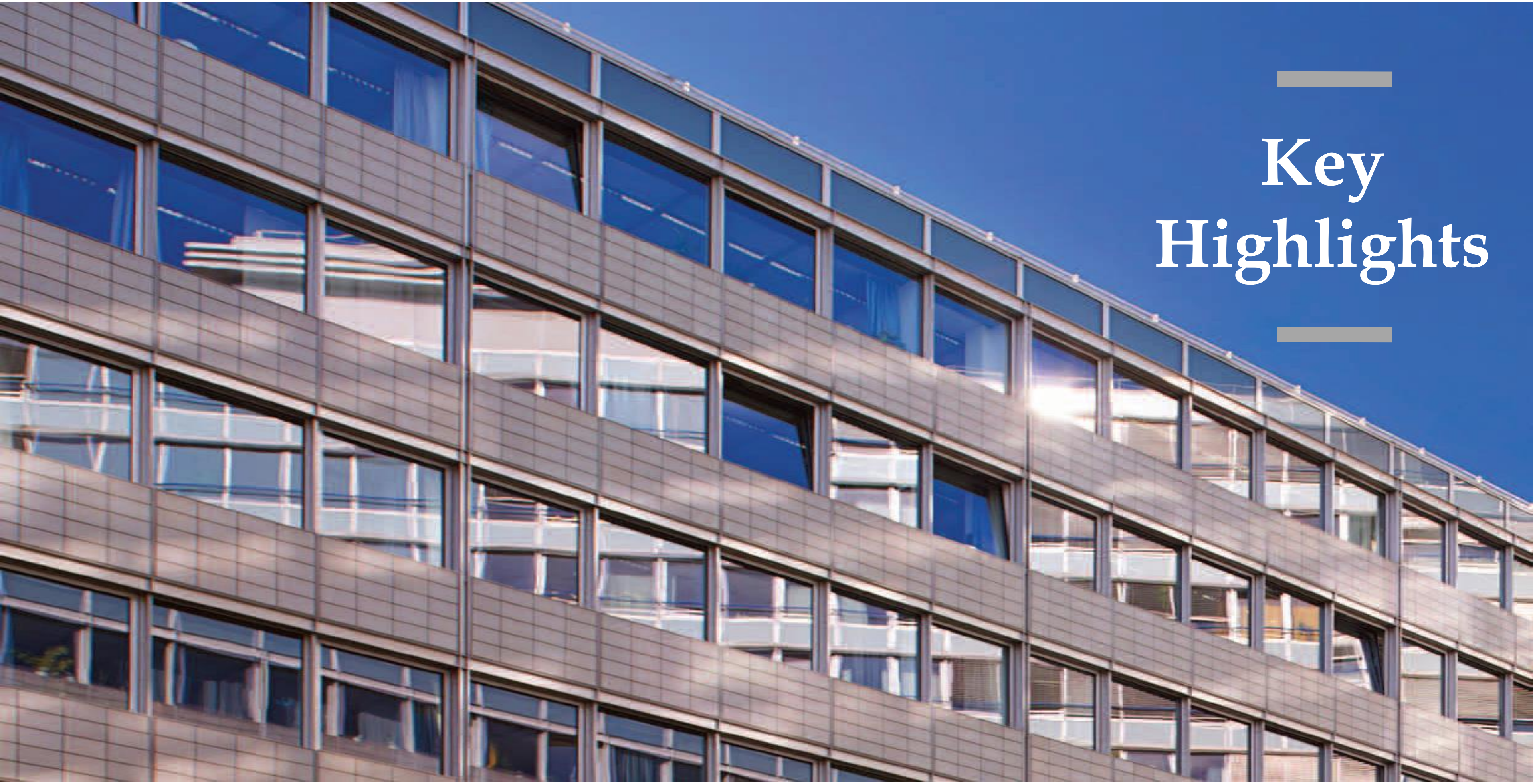
| | |
|---|---|
| **Investment Mandate:** | Principally invests, directly or indirectly, in a portfolio of income-producing real estate in Europe which is used primarily for office, retail and industrial (including logistics) purposes, as well as real estate-related assets |
| **Current Portfolio:** | 5 freehold office assets in Germany, with total NLA of c.200,600 sqm and valuation of €504.9m |
| **Manager:** | IREIT Global Group Pte. Ltd., a subsidiary of pan-European asset management and investment group Tikehau Capital |
| **Distribution Policy:** | At least 90% of annual distributable income; distributions to be made on a semi-annual basis |

**Net Lettable Area as at 31 Dec 2018**




**Valuation as at 31 Dec 2018**





# Key Highlights

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# Key Highlights

- **FY2018 gross revenue and net property income fell 0.4% and 2.8% y-o-y, respectively**
  - ✓ Due mainly to lower gross revenue from the finalisation of prior year's service charge reconciliations and increase in property operating expenses arising from the various initiatives taken during the year to better position the properties for the long term
- **FY2018 DPU of 5.80 Singapore cents in line with FY2017**
  - ✓ Due mainly to lower distributable income offset by favourable SGD/EUR exchange rates arising from the hedging undertaken to manage the currency risk for distribution
  - ✓ FY2018 DPU translates to an attractive yield of 8.0%[1]
- **Healthy operating metrics underpinned by blue-chip tenants and long leases**
  - ✓ Overall occupancy rate improved to 98.6% at 31 Dec 2018 from 98.3% a year ago
  - ✓ No lease expiry in 2019 with over 90% of leases due for renewal in 2022 and beyond
- **Portfolio valuation surpassed €500m mark as at 31 Dec 2018**
  - ✓ Driven by stable portfolio and further strengthening of German real estate market
  - ✓ NAV increased 11.6% y-o-y to €0.48 per Unit
- **Enhanced credit profile and financial position**
  - ✓ Aggregate leverage improved to 36.6%[2] as at 31 Dec 2018 from 40.3% a year ago
  - ✓ New loan facilities with maturity in 2026 and all-in cost of debt at 1.5% drawn down on 1 Feb 2019 to repay existing borrowings (see page 11 for more details)

[1] Based on IREIT's closing unit price of S$0.725 as at 31 Dec 2018

[2] Pro-forma aggregate leverage would be 37.8% if refinancing of existing borrowings has taken place on 31 Dec 2018

# Operating & Financial Performance

| (€ '000) | 4Q2018 | 4Q2017 | Variance (%) | FY2018 | FY2017 | Variance (%) |
|---|---|---|---|---|---|---|
| Gross Revenue | 8,985 | 8,693 | 3.4 | 34,808 | 34,959 | (0.4) |
| Property Operating Expenses | (1,505) | (748) | 101.2 | (4,178) | (3,431) | 21.8 |
| Net Property Income | 7,480 | 7,945 | (5.9) | 30,630 | 31,528 | (2.8) |
| Income Available for Distribution | 6,180 | 6,587 | (6.2) | 25,146 | 25,976 | (3.2) |
| Income to be Distributed to Unitholders | 5,562 | 5,928 | (6.2) | 22,631 | 23,378 | (3.2) |

- FY2018 gross revenue fell 0.4% y-o-y due mainly to the finalisation of prior year's service charge reconciliations
- FY2018 net property income fell 2.8% y-o-y due mainly to lower gross revenue and increase in property operating expenses arising from various initiatives taken during the year to better position the properties for the long term

# Distribution Per Unit

| Distribution per Unit | 4Q2018 | 4Q2017 | Variance (%) | FY2018 | FY2017 | Variance (%) |
|---|---|---|---|---|---|---|
| **Before Retention** | | | | | | |
| - € cents | 0.99 | 1.05 | (5.7) | 3.99 | 4.15 | (3.9) |
| - S$ cents[1] | 1.60 | 1.63 | (1.8) | 6.46 | 6.44 | 0.3 |
| **After Retention** | | | | | | |
| - € cents | 0.89 | 0.94 | (5.3) | 3.59 | 3.72 | (3.5) |
| - S$ cents[1] | 1.43 | 1.46 | (2.1) | 5.80 | 5.77 | 0.5 |

- DPU in S$ terms was supported by favourable SGD/EUR exchange rates arising from the hedging undertaken to manage the currency risk for distribution[1]
- FY2018 DPU translates to an annualised distribution yield of 8.0%[2]

[1] The DPU in S$ was computed after taking into consideration the forward foreign currency exchange contracts entered into to hedge the currency risk for distribution to unitholders

[2] Based on IREIT's closing unit price of S$0.725 as at 31 Dec 2018

# Distribution Details

| | |
|---|---|
| Distribution Period | 1 July 2018 to 31 December 2018 |
| Distribution per Unit (DPU) | 2.85 Singapore cents |
| Ex-Date | 27 February 2019 (Wednesday) |
| Books Closure Date | 28 February 2019 (Thursday) |
| Payment Date | 7 March 2019 (Thursday) |

# Financial Position

| € '000 | As at 31 Dec 2018 | As at 31 Dec 2017 |
|---|---|---|
| Investment Properties | 504,900 | 463,100 |
| Total Assets | 528,875 | 486,755 |
| Borrowings | 193,215 | 195,476 |
| Total Liabilities | 223,268 | 218,064 |
| Net Assets Attributable to Unitholders | 305,607 | 268,691 |
| NAV per Unit (€/unit)[1] | 0.48 | 0.43 |

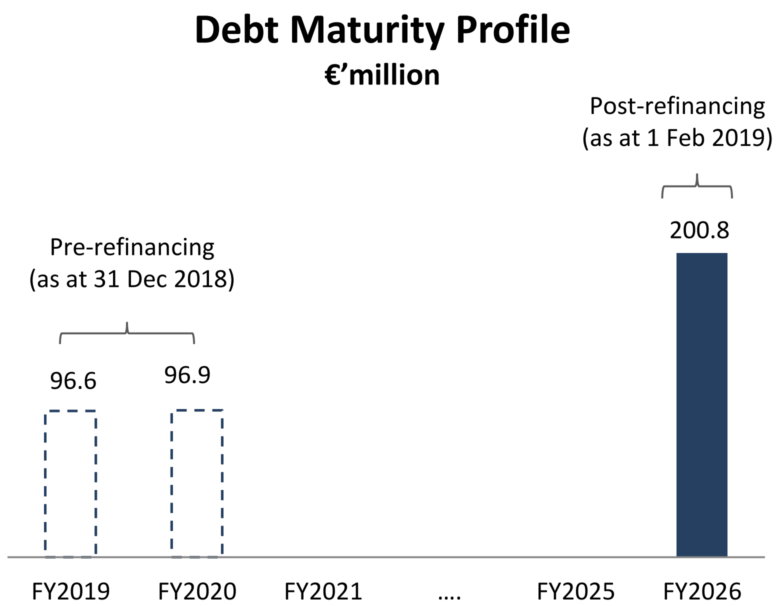
- The fair value of IREIT's investment properties increased by €41.8m y-o-y, and this led to a 11.6% y-o-y increase in NAV per Unit to €0.48

[1] The NAV per Unit was computed based on net assets attributable to Unitholders as at 31 Dec 2018 and 31 Dec 2017, and the Units in issue and to be issued as at 31 Dec 2018 of 633.4m (31 Dec 2017: 628.0m)

# Capital Management

| As at 31 Dec 2018 | |
|---|---|
| **Aggregate Leverage[1]** | **Gross Borrowings Outstanding** |
| 36.6% | €193.5 million |
| **Effective Interest Rate[2]** | **Interest Coverage Ratio[3]** |
| 2.0% per annum | 8.4 times |

**Weighted Average Debt Maturity: 1.1 years**



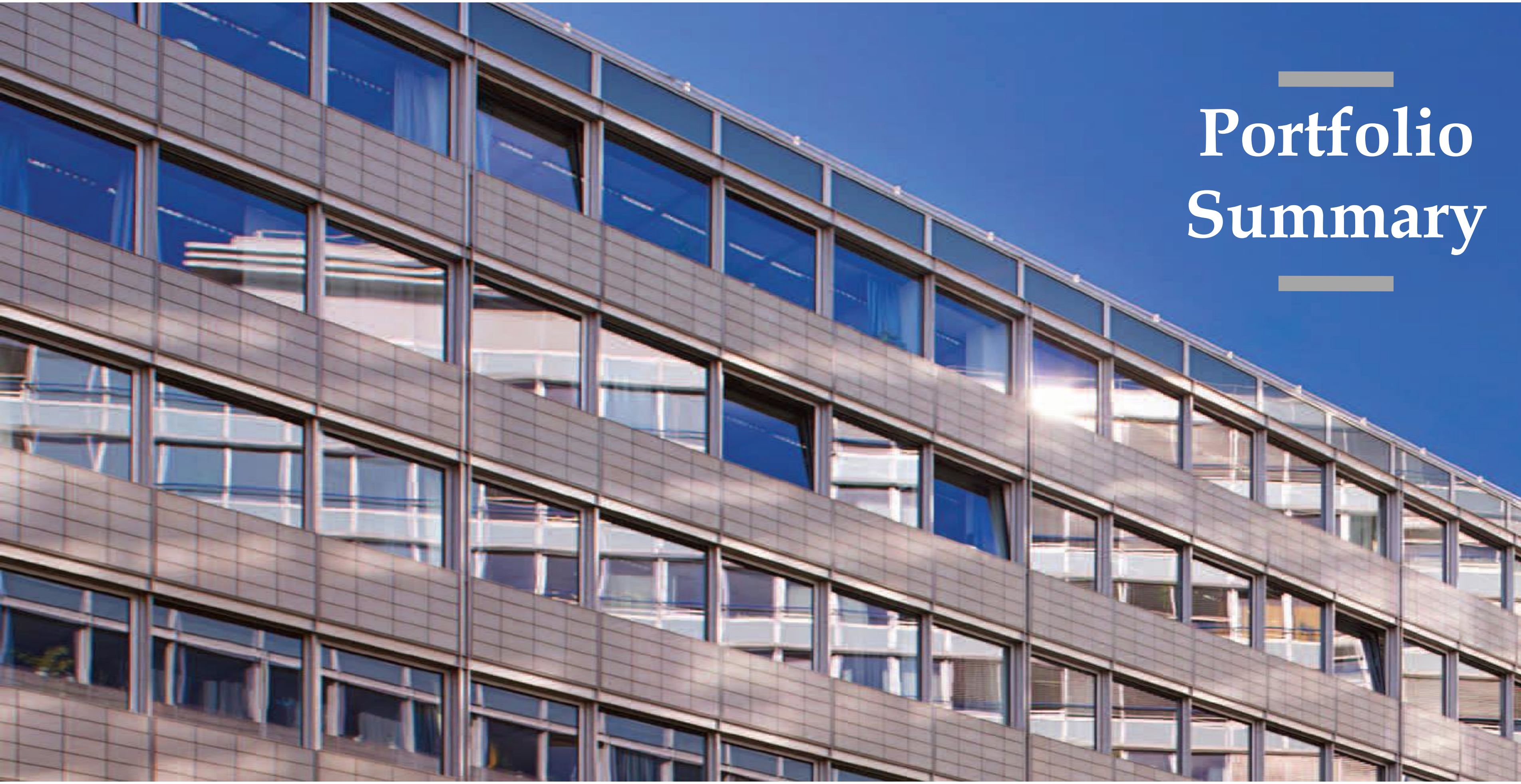

- On 1 Feb 2019, IREIT drew down the new loan facilities of €200.8m maturing in Jan 2026 to repay the existing bank borrowings of €193.5m
- Concurrent to the debt drawdown, interest rate swaps were entered into to hedge 100% of the interest of the new loan facilities, resulting in an all-in cost of debt of approximately 1.5% per annum over the loan tenure. Including the costs of unwinding the existing borrowings, the all-in cost is approximately 1.7% per annum
- Pro-forma aggregate leverage and weighted average debt maturity would be 37.8% and 7.1 years respectively if refinancing of existing borrowings has taken place on 31 Dec 2018

[1] Based on total debt over deposited properties
[2] Effective interest rate computed over the tenure of the borrowings
[3] Based on net property income over interest expense for 4Q2018

# Forex Risk Management

- Use of €-denominated borrowings acts as a natural hedge to match the currency of assets and cashflows at the property level

- Distributable income in € will be paid out in S$. From FY2019, in accordance with its currency hedging policy, IREIT will be hedging its income to be repatriated from overseas to Singapore on a quarterly basis, one year in advance



# Portfolio Summary

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# Portfolio Summary

| | BERLIN CAMPUS | BONN CAMPUS | DARMSTADT CAMPUS | MÜNSTER CAMPUS | CONCOR PARK | TOTAL |
|---|---|---|---|---|---|---|
| **Location** | Berlin | Bonn | Darmstadt | Münster | Munich | |
| **Completion Year** | 1994 | 2008 | 2007 | 2007 | 1978 and fully refurbished in 2011 | |
| **Net Lettable Area (sqm)** | 79,097 | 32,736 | 30,371 | 27,183 | 31,222 | **200,609** |
| **Car Park Spaces** | 496 | 652 | 1,189 | 588 | 516 | **3,441** |
| **Occupancy Rate[1]** | 100.0% | 100.0% | 100.0% | 93.3% | 97.1% | **98.6%** |
| **No. of Tenants** | 8 | 1 | 1 | 1 | 12 | **21** |
| **Key Tenant(s)** | Deutsche Rentenversicherung Bund | GMG, a wholly-owned subsidiary of Deutsche Telekom | GMG, a wholly-owned subsidiary of Deutsche Telekom | GMG, a wholly-owned subsidiary of Deutsche Telekom | ST Microelectronics, Allianz, Ebase, Yamaichi | |
| **WALE[2]** | 5.5 | 4.3 | 3.8 | 4.3 | 3.0 | **4.4** |
| **Independent Appraisal[3] (€ m)** | 190.7 | 107.8 | 86.4 | 49.5 | 70.5 | **504.9** |

[1] Based on all current leases in respect of the properties as at 31 Dec 2018
[2] Based on gross rental income as at 31 Dec 2018
[3] Based on independent valuations as at 31 Dec 2018

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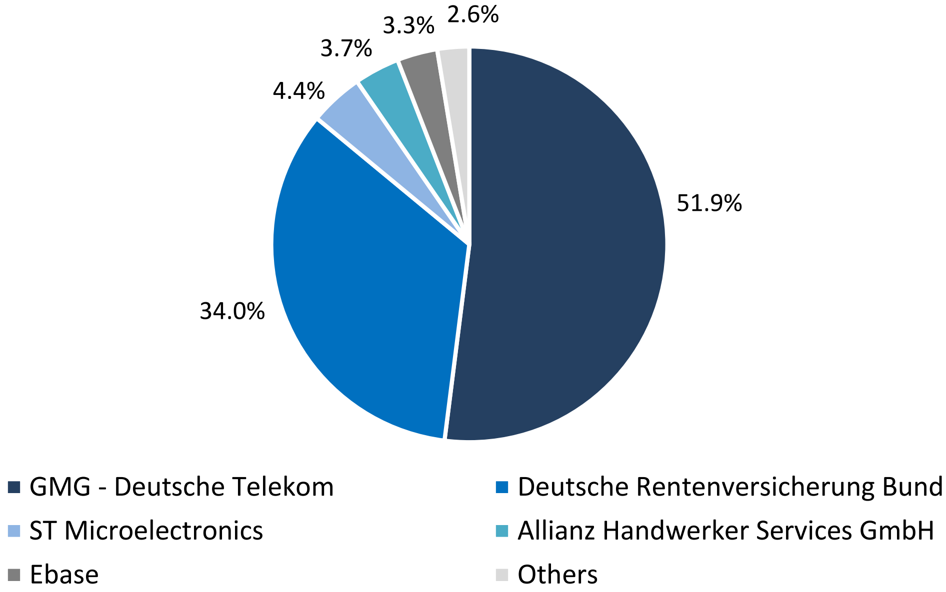
# Diversified Blue-Chip Tenant Mix

## Top Five Tenants[1]




**Deutsche Telekom** is one of the world's leading integrated telcos with around c. 168m mobile customers, c. 28m fixed-network lines and c. 19m broadband lines. S&P's long-term rating stands at BBB+.

**Deutsche Renten-versicherung Bund** is a federal pension fund and the largest of the 16 federal pension institutions in Germany with 'AAA' credit rating.

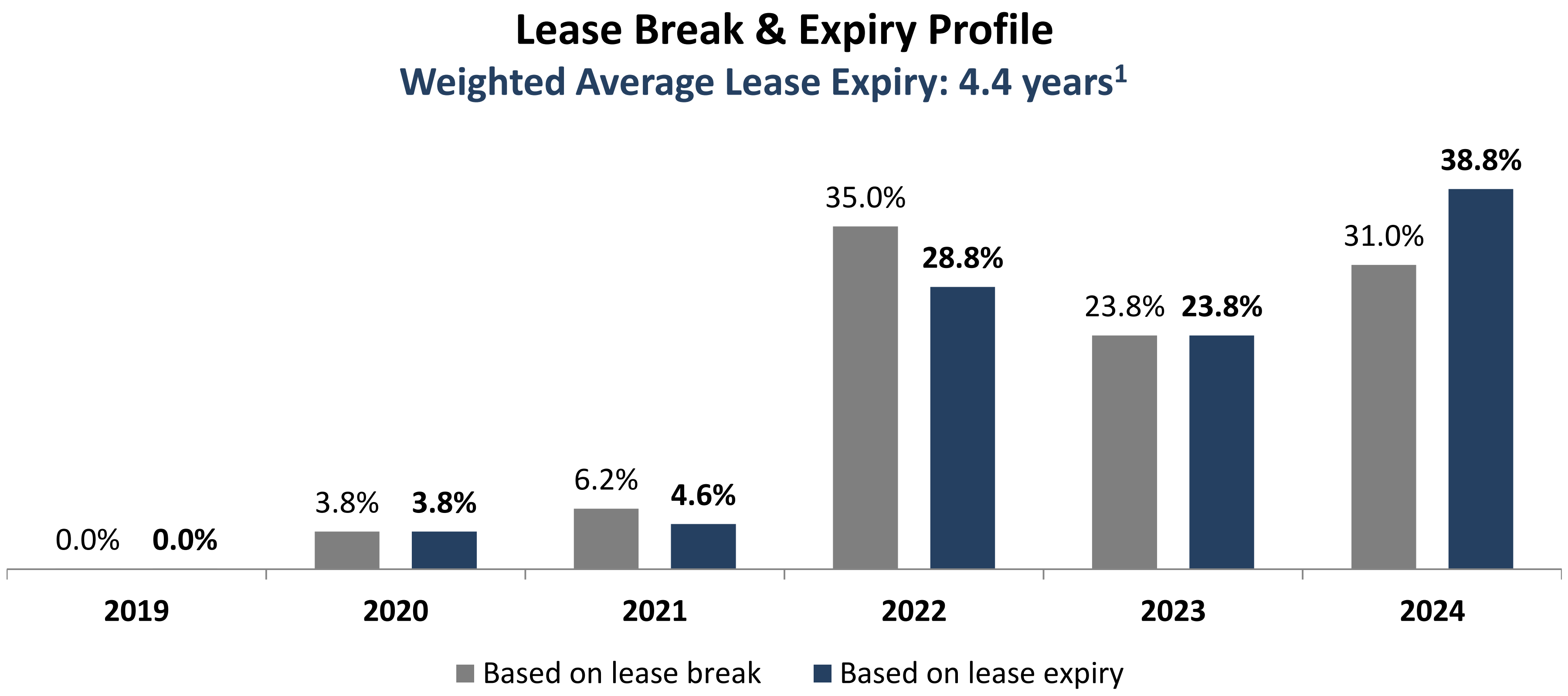
**ST Microelectronics** is Europe's largest semiconductor chip maker based on revenue.

**Allianz Handwerker Services** is a unit of Allianz SE, one of the world's largest insurance companies. S&P's long-term rating stands at AA.

**ebase GmbH** is part of the Commerzbank Group. As a B2B direct bank, ebase is a full service partner for financial service providers, insurance companies, banks, asset managers and capital management companies.

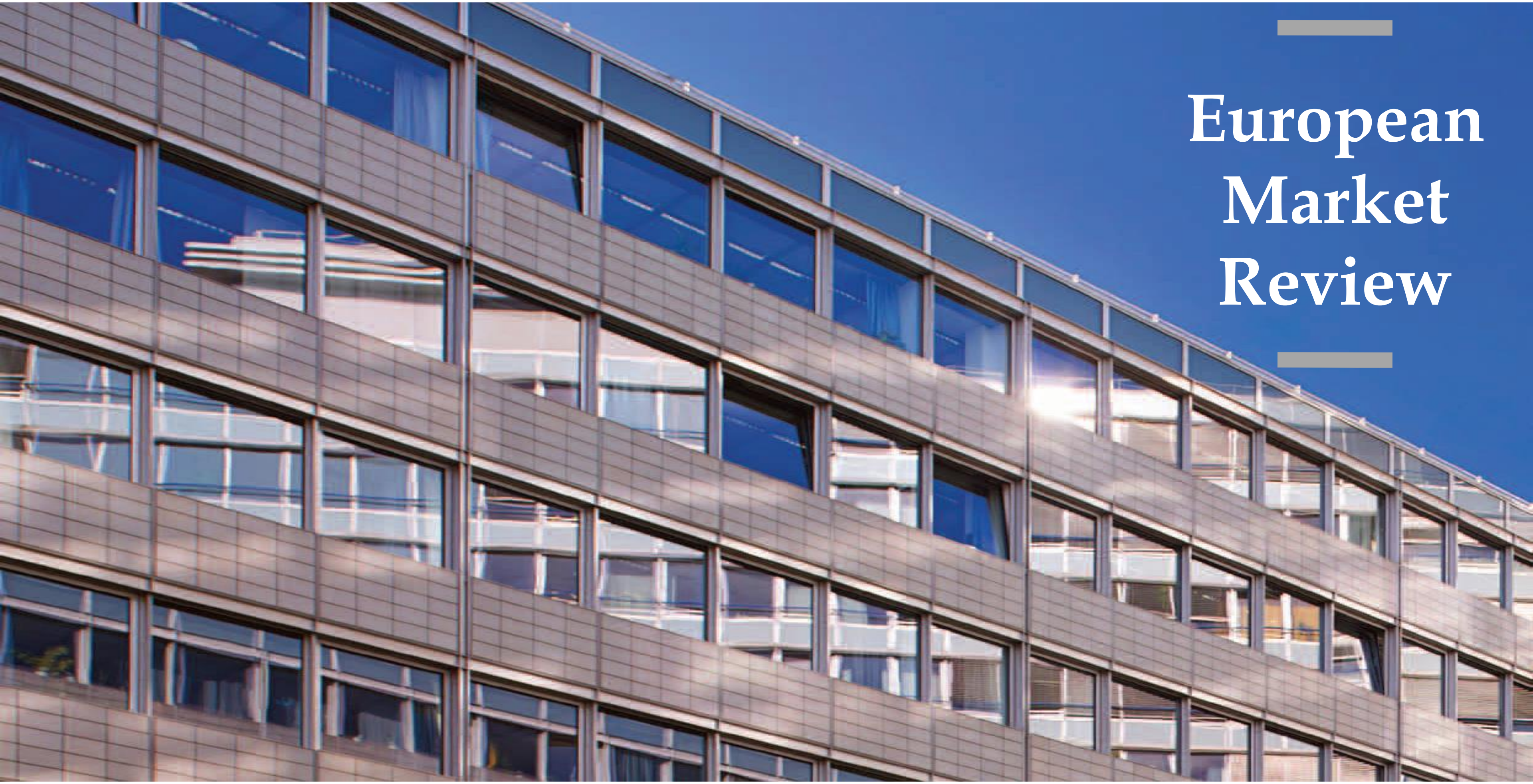
[1] Based on gross rental income as at 31 Dec 2018

# Stable Long Leases




**91.4% of its leases[1] will be due for renewal only in FY2022 and beyond[2]**

[1] Based on gross rental income as at 31 Dec 2018
[2] 6.2% of the leases is subject to lease break option in FY2022



# European Market Review

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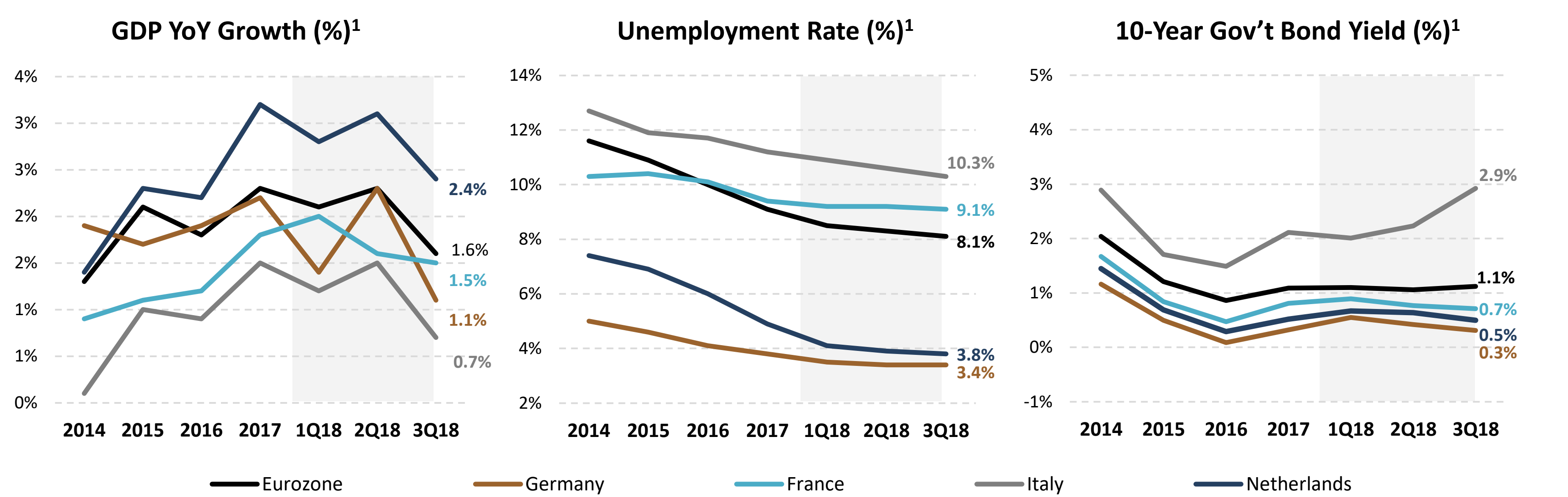
# Economic Background

- **Economic growth has moderated in 3Q2018 across most parts of Europe**
  - ✓ Eurozone and Germany saw slower GDP y-o-y growth of 1.6% and 1.1%, respectively[1]
  - ✓ Interest rates have generally remained relatively stable at low levels
- **European economy may still grow above its 15-year average rate in 2019, but risks are mounting[2]**
  - ✓ Worries over a potential escalation of United States-China trade tensions, a sharp slowdown in Chinese economy, rising interest rates and possibility of no-deal Brexit




[1] Eurostat
[2] CBRE EMEA Real Estate Market Outlook 2019

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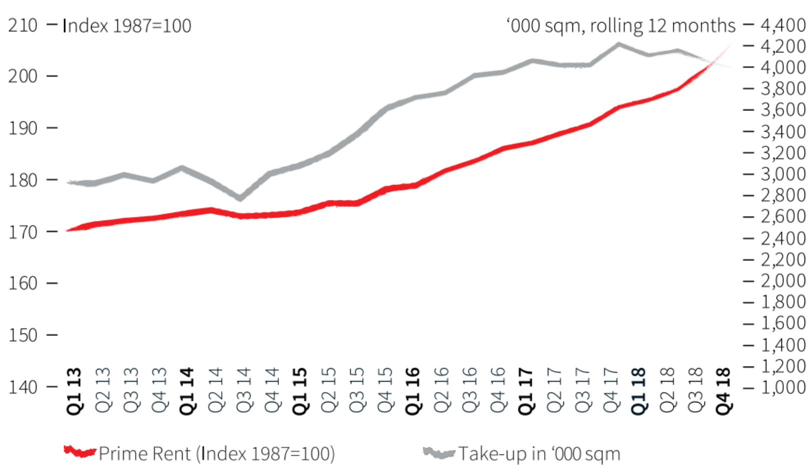
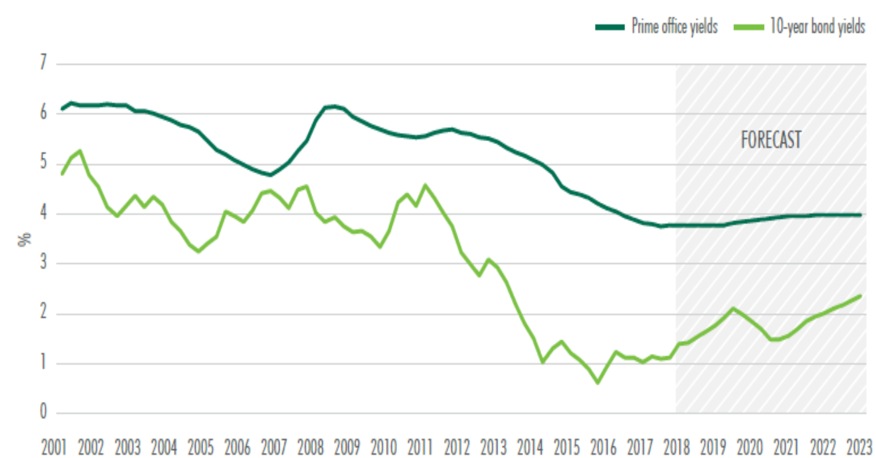
# Real Estate Market Review

- **Leasing activity in German office market remains healthy**
  - ✓ 2018 office space take-up in key 7 cities reached 4.0m sqm, just shy of 2017 all-time high of 4.2m sqm[1]
  - ✓ Prime office rent in key 7 cities rose by 6.4% y-o-y in 4Q2018, while vacancy rate fell to 3.6% at the end of 2018 from 4.7% a year ago[1]
- **Office markets in Europe to see positive albeit slower growth in leasing levels in 2019, having grown by an estimated 5-10% in 2018[2]**
  - ✓ Supported by low unemployment rate and muted new development completion[2]

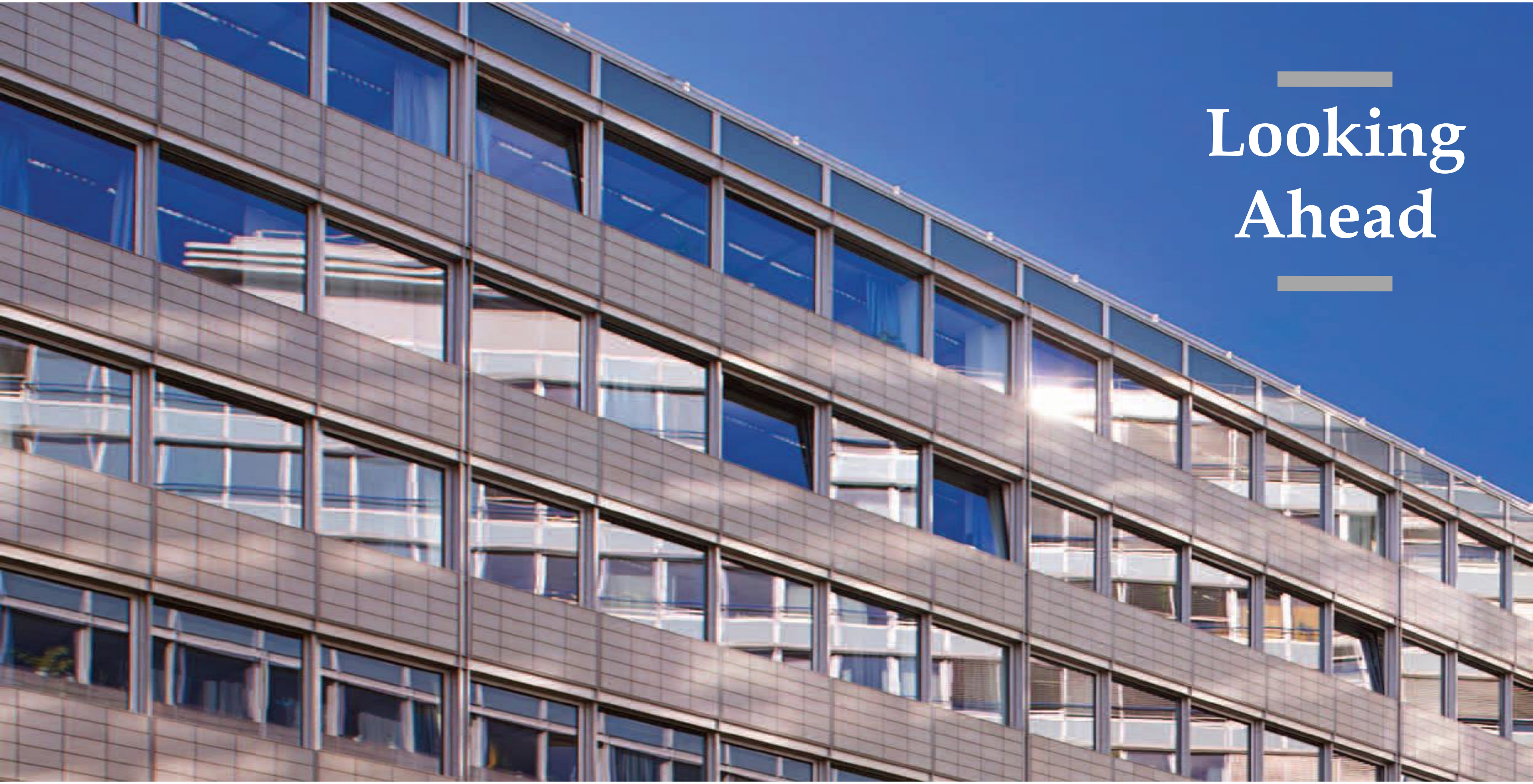
**German Office Take-up and Prime Rental Index for Key 7 Cities[1]**




**Eurozone Prime Office Yields and 10-year Gov't Bond Yields (%)[2]**




[1] JLL Office Market Overview 4Q2018
[2] CBRE EMEA Real Estate Market Outlook 2019



# Looking Ahead

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# Looking Ahead

- Over the past year, the Manager has successfully secured the lease extensions for a few key tenants, leaving the portfolio with no lease expiry for 2019 and over 90% of the leases due for renewal only in 2022 and beyond

- On the capital management front, the Manager has also taken advantage of the current low interest rate environment to refinance IREIT's existing borrowings at favourable rates over the long term. This provides certainty on the financing cashflows and cushions IREIT against any negative impact from rising interest rates

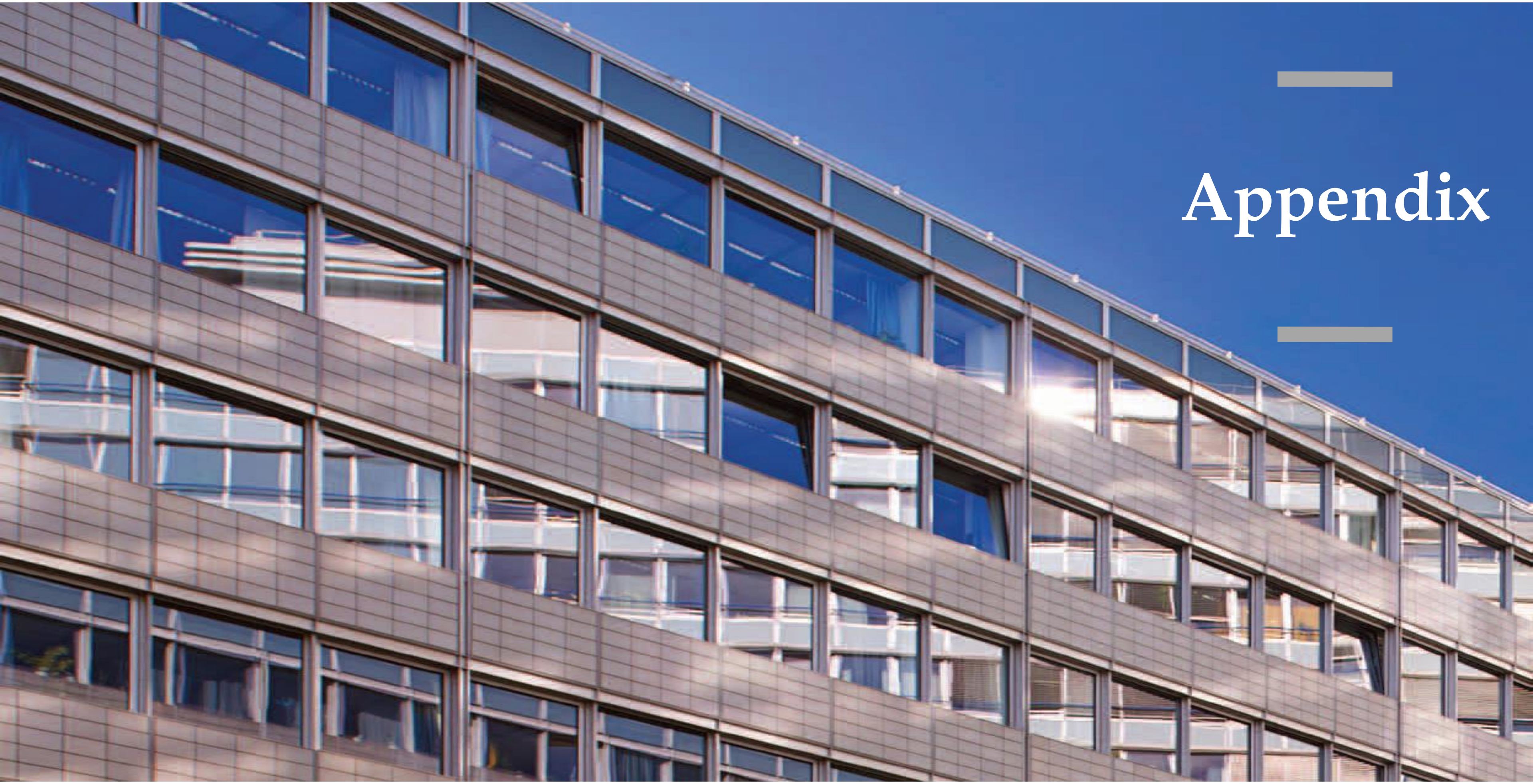
- In 2019, the European economic growth is likely to be moderated compared to 2018, but is still expected to be higher than its 15-year average rate. Coupled with low unemployment rate and muted new development completion, this is expected to herald another year of healthy demand for commercial real estate[1]

- On a cautious note, however, there are mounting risks to the European economy, which may skew growth to the downside. This includes lingering worries over a potential escalation of United States-China trade tensions, a sharp slowdown in Chinese economy and the impact of rising interest rates. In Europe, the possibility of a no-deal Brexit, weakness in the automotive industry in Germany and sovereign risks in Italy have also resulted in uncertainties and poorer market sentiment

[1] CBRE EMEA Real Estate Market Outlook 2019

# Looking Ahead (cont'd)

- In view of the uncertain business climate and to better position the properties for the long term, the Manager will continue to undertake various initiatives to upkeep the properties as they age. This will involve the incurrence of repair and maintenance costs, as well as appropriate capital expenditure on an ongoing basis. In order to ensure continuity of leases through retaining existing tenants or securing new tenants, the Manager will also consider other initiatives in line with market practices. The Manager is of the view that these measures are necessary towards maintaining sustainable long-term income to Unitholders



# Appendix

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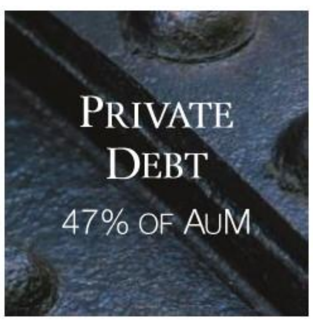
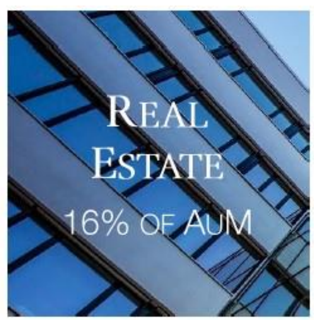
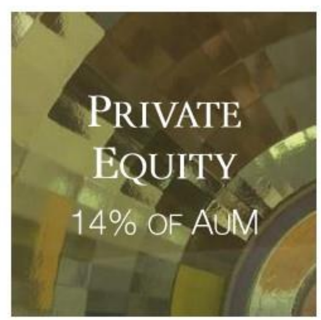
# Overview of Tikehau Capital

**Tikehau Capital is a pan-European alternative asset management and investment group founded in 2004, with offices in Paris, London, Brussels, Madrid, Milan, New York, Seoul and Singapore**

- ✓ Listed on Euronext Paris since Mar 2017
- ✓ c.260 employees and partners in the 8 offices
- ✓ Strong shareholders' equity of €2.3bn[1], with first-tier institutional investors such as Temasek Holdings, MACSF, FFP and Credit Mutuel ARKEA
- ✓ €15.9bn of Assets Under Management (AUM), of which €2.6bn is real estate[2]
- ✓ Real estate exposure in Germany, France and Italy across office, retail and industrial sectors
- ✓ Successful acquisition of leading French real estate asset management firm Sofidy to lead Tikehau Capital to achieve its €20bn target in AUM two year ahead of schedule





[1] As at 30 Jun 2018
[2] As at 30 Sep 2018

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