INTERVIEW WITH THE GROUP CEO

Mr Hiew Yoon Khong

Key Performance Indicators (KPIs)	Targets	FY19/20 Final Results
Returns		
Average ROIE[1]	10% to 15%	21.6%
Average ROE[2]	10% to 15%	11.2%
Earnings/Cash Flow		
Average Recurring PATMI[3]	S$900 million to S$1 billion	S$752 million
Recycled Proceeds[4,5]	>S$20 billion	S$5.7 billion
Capital Management		
Fee Income[4]	>S$2.5 billion	S$518 million
AUM Ratio	>3x	2.3x
AUM	S$80 billion to S$90 billion	S$60.5 billion

1) How did Mapletree sustain growth in Financial Year 2019/2020 (FY19/20) despite macroeconomic challenges and Covid-19?

FY19/20 was the first year of Mapletree's third Five-Year Plan. Despite the unique challenges resulting from Covid-19 towards the tail end of the financial year, Mapletree remained committed to achieving the targets set out in our Five-Year Plan, namely to deliver a stable and consistently high level of profitability through prudent investment and enhancing operational efficiency.

We continued to execute our business plan in a calibrated and disciplined manner. This involves building liquidity and financial flexibility to meet our business commitments and capitalise on growth opportunities. In addition, we continued with our capital management initiatives such as the syndication of new private funds and capital recycling activities. Thanks to this disciplined and prudent approach in executing key elements of Mapletree's business model, we were able to deliver creditable and consistent high returns as in past years. Return on invested equity (ROIE)[1] rose significantly from 10.4% in FY18/19 to 21.6% in FY19/20. This was due to higher disposal gains from the divestment of Mapletree Bay Point, a 19-storey Grade A office building in Kowloon East, Hong Kong SAR, in May 2019, as well as proceeds of S$1.55 billion from the acquisition of Mapletree Business City II (MBC II) by Mapletree Commercial Trust (MCT) in November 2019. While the original intent was to own both properties on a long-term basis, it was opportune to capitalise on the attractive capital value the properties could fetch and to recycle the proceeds for other growth opportunities. Recurring profit

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after tax and minority interests (Recurring PATMI)[3] was S$752 million, a 5% increase year-on-year (y-o-y), contributed by the growth of our logistics assets in Europe and the United States (US) as well as new acquisitions in FY19/20.

While PATMI[3] and return on equity (ROE)[2] remained robust at S$1,778.5 million and 11.2% respectively, they were impacted by lower asset revaluations due to the Covid-19 outbreak in the final quarter of FY19/20.

2) Mapletree's capital management platforms provided attractive returns in FY19/20. What were some milestones and how do these platforms contribute to the Group's overall strategy?

In addition to our competence in real estate investment and development, effective capital management is vital for stable and consistent returns. As at 31 March 2020, Mapletree had S$60.5 billion worth of assets under management (AUM) of which S$42.2 billion or about 70% are third-party managed assets under four Singapore-listed real estate investment trusts (REITs) and six private funds[6]. Over the last decade, Mapletree has grown its third-party managed AUM by more than five times.

In July 2019, we acquired 111 Pacific Highway in North Sydney, Australia, and subsequently syndicated the A$1.4 billion (~S$1.3 billion) Mapletree Australia Commercial Private Trust (MASCOT) in November 2019. MASCOT comprises 10 Grade A office assets with high occupancy and a diverse tenant base, located in the key gateway cities of Sydney, Melbourne, Adelaide, Brisbane and Perth. The fund targets an attractive internal rate of return (IRR)[7] of 12%.

21745 Timothy Drive (ACC 9) is one of three fully fitted hyperscale data centres acquired under a 50:50 joint venture with MIT, located in North Virginia, the US.

Following the divestment of its final asset, the Mapletree India China Fund (MIC Fund)[6] was fully realised in April 2020. The fund delivered a return of 2.0 times equity multiple and net IRR[7] of approximately 13.6%.

The final asset in MJLD, a Japan-focused logistics development fund, was acquired by Mapletree Logistics Trust (MLT) in February 2020. MJLD is on track to deliver an expected return of 1.8 times equity multiple and an impressive net IRR[7] of 23.7% at end June 2020.

During the financial year, Mapletree completed the successful syndication of Mapletree US & EU Logistics Private Trust (MUSEL), with the Group retaining a 33%[8] stake. Nearly two times oversubscribed, the US$1.8 billion (~S$2.5 billion) fund generated demand surpassing the final allocation of approximately US$450 million (~S$623.8 million), reflecting investors' confidence in our capital management capabilities.

Moving forward, we will continue to seek out properties suitable for fund syndication, such as commercial properties in China, India and Europe as well as student accommodation.

Our four REITs have earned a solid reputation, delivering an annual distribution yield per unit ranging from 4.4% to 8.5% in FY19/20. As at 31 March 2020, MLT, Mapletree Industrial Trust (MIT), MCT and Mapletree North Asia Commercial Trust (MNACT) had a combined market capitalisation of about S$32 billion. For two of our REITs, we achieved total shareholder returns of more than 10% in the last financial year. MLT and MIT were consistently rated among the best performing REITs on the Singapore Exchange.

MLT and MCT joined the benchmark Straits Times Index in 2019, with MIT recently added on 22 June 2020.

Mapletree Investments entered into a 50:50 joint venture with MIT to acquire a US$1.4 billion (~S$1.9 billion) North American portfolio of three fully fitted hyperscale data centres in November 2019, and 10 powered shell data centres in January 2020. In an increasingly volatile environment, the defensive nature of the data centre sector will provide a relatively stable return.

In February 2020, MNACT acquired two freehold properties, mBAY POINT Makuhari Building and Omori Prime Building from the Group, for a total acquisition cost of S$480 million.

Fee income[9] from the four REITs and six private funds[6] contributed S$486.6 million to the Group's total fee income[9] of about S$518 million.

In FY19/20, we achieved a total of S$5.7 billion in recycled proceeds[5] from strategic capital management and fund syndication efforts. Apart from enhancing our returns, these activities have successfully lowered Mapletree's net gearing. As at 31 March 2020, Mapletree has reduced its net debt/equity ratio by 15.5 percentage points y-o-y at 62.5%. The lower gearing strengthens our position in an uncertain economic environment and enables us to capitalise on opportunities when they arise.

3) How has Covid-19 impacted Mapletree's asset classes?

The Covid-19 situation around the world has evolved rapidly. We have witnessed unprecedented lockdowns of cities and countries, and disruptions in cross-border supply chains. As Mapletree's portfolio is diversified both in asset types and geography, Covid-19 has had a varied impact on our business.

The logistics and data centre sectors have proven to be the most resilient asset classes in FY19/20. Construction delays for logistics developments in China have been shorter than expected, and income from logistics properties in the US and Europe have remained stable, underpinned by robust demand from the e-commerce sector.

Retail has been somewhat affected by the significant decline in footfall and the suspension of non-essential retail services by most countries. In nurturing long-term relationships with our tenants, we have provided rental rebates, deferments and other measures over and above legislated requirements. Our lodging assets have also been hit. While short-term stays in serviced apartments have dipped in light of travel bans, occupancy of long-term stays and multifamily properties have remained relatively stable. We have also extended reliefs to students who were unable to continue with their stay at our student residences for their studies.

4) Could you expand on some strategic acquisitions and developments the Group embarked on in FY19/20?

European acquisitions

In June 2019, we entered into a forward contract to acquire The Sorting Office, our maiden office property in Dublin, Ireland. Staying true to our strategy of diversifying earnings in scalable and developed markets, The Sorting Office is located in Dublin's city centre, has robust tenant demand and has been awarded with the LEED platinum rating and Building Energy Rating of A3.

Joining our growing portfolio of European office assets are Nova Atria in one of Dublin's leading submarkets, comprising two adjoining six-storey office blocks occupying 31,140 square metres (sqm) in net lettable area (NLA), and West Station in Warsaw, Poland, made up of two 14-storey buildings spanning 68,851 sqm in NLA.

In October 2019, Mapletree acquired two Purpose-Built Student Accommodation (PBSA) assets totalling 1,127 beds in Coventry, the United Kingdom (UK). To date, Mapletree's student accommodation portfolio comprises 50 PBSA assets with over 22,000 beds located across 33 cities in the UK, the US and Canada.

Nova Atria is located in Dublin, Ireland, and comprises two adjoining six-storey office blocks occupying 31,140 sqm in NLA.

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Building a portfolio of unique assets
In December 2019, Mapletree's real estate capabilities continued to attract best-in-class tenants as Dyson confirmed the relocation of its global headquarters to Singapore, at our prized St James Power Station (SJPS). Currently under refurbishment, SJPS will house Dyson's technology centre and a heritage gallery that pays homage to its rich history upon completion in the second half of 2020.

We will build on our rejuvenation capabilities as an active participant in the growth and development of the Greater Southern Waterfront precinct. In line with the Singapore Government's wider "live, work, play" transformation plans, SJPS will be one of Mapletree's adaptive reuse projects to fit into these plans.

Best-in-class developments
Building on our core competency in real estate developments, we have continued to grow the number of development projects around the world.

Logistics remained a bright spot in FY19/20, supported by the strong growth in e-commerce. We capitalised on this growing trend by increasing the number of development projects in markets with high occupancy rates and low modern specification warehouse stock.

In China, we employed our expertise in greenfield development projects, deepening our presence with 27 new logistics sites at a total investment value exceeding S$1.6 billion. As at 31 March 2020, the Group's logistics assets in China totalled 6 million sqm in gross floor area (GFA), representing a 40% uplift y-o-y.

We aim to maintain our pace of expansion under the current Five-Year Plan so that we can reach significant scale and continue tapping into the fast-growing China market.

Nanhai Business City in Foshan, China, is a mixed-use development encompassing residential, retail, educational and office components.

We acquired two sites in Shah Alam, Selangor, Malaysia, an area highly sought after by third-party logistics operators and end-users. Covering a combined land area of 218,525 sqm, both sites will be redeveloped into four-storey ramp up modern warehouse facilities.

In northern Vietnam, we completed the development of Mapletree Logistics Park Bac Ninh Phase 3, a Grade A logistics facility spanning 47,732 sqm of GFA which has since achieved 100% occupancy. In the south, construction commenced on Mapletree Logistics Park Binh Duong Phase 4. Strategically located to serve both domestic and import-export demand, the development has secured a healthy pre-leasing commitment for 76% of NLA.

In Brisbane, Australia, we acquired a 36.3-hectare site slated for completion in September 2020. The future logistics park will be developed over four phases to provide a total GFA of 191,888 sqm and features excellent access to the Logan Motorway, as well as Brisbane city, port and airport.

Apart from logistics, our development portfolio includes student accommodation, office and residential projects.

In December 2019, Mapletree completed its first student housing development project, Westwood Student Mews in the UK. The 453-bed development is in close proximity to the University of Warwick's campus.

In the US, the construction of Mapletree's first university housing development is scheduled for completion and expected to be operational by FY20/21. The 405-unit/513-bed accommodation adjoins the University of Pennsylvania campus.

In China, Mapletree Ningbo Mixed-Use Development Phase 1 (residential and retail) obtained its occupation permit in June 2019. It has fully sold units in 13 residential blocks as well as over 90% of its parking space.

In Nanhai Business City Phase 4, nine out of 12 residential blocks have launched for sale since August 2018. Nearly 90% of the units have been sold. The Education Zone is fully operational and the Education Hub office achieved a 90% commitment rate.

Mapletree Business Centre in Ho Chi Minh City, Vietnam, continued to do well. Home to many international tenants, the property registered occupancy of above 95% with strong rent reversions. One Verandah, Mapletree's residential project in Vietnam, obtained its Temporary Occupation Permit in April 2020 and is on schedule for handover.

A key component of our development capability is the proven skill to enhance and add value to existing properties. In July 2019, MIT announced plans to transform the Kolam Ayer 2 flatted factory cluster in Singapore into a high-tech industrial precinct, including a Build-to-Suit facility for a global medical device company headquartered in Germany. Upon completion by end 2022, the plot ratio is set to increase from 1.5 to 2.5, while GFA will be raised from about 47,076 sqm to an estimated 80,420 sqm.

5) Moving into the second year of Mapletree's third Five-Year Plan, what is Mapletree's posture amid a weaker economic outlook?

As the pandemic plays out, the Group plans to strengthen its balance sheet with more capital recycling initiatives and fund syndications in FY20/21, as well as very selective acquisitions in markets and sectors in which the Management has assessed to demonstrate growth potential and resilient returns, such as logistics and data centres. The pipeline includes Mapletree Europe Income Trust (MERIT), comprising our existing European commercial assets. We will continue to explore the possibility of launching more funds or REITs over the next couple of years. With prudent investment and opportunistic acquisitions, Mapletree is committed to meeting the targets set for its third Five-Year Plan.

6) Mapletree has a strong culture of giving back to communities in which it operates, and an emphasis on sustainability. What are some achievements we should know about?

We believe passionately in giving back. For every S$500 million of PATMI[3] or part thereof, we set aside S$1 million annually to fund corporate social responsibility (CSR) initiatives. In FY19/20, Mapletree committed and disbursed more than S$6 million to causes under the four pillars of our CSR framework – arts, education, environment and healthcare.

In tandem with long-term partnerships with our communities, sustainability is integral to Mapletree's business operations. Mapletree and a number of our REITs have embarked on green financing options that complement our efforts to reduce the environmental footprint of our portfolio.

In October 2019, MCT secured its first green club loan of S$670 million to part-finance the acquisition of MBC II and the Common Premises. MCT has also established a green loan framework that outlines the criteria for allocating and managing proceeds from the green loan.

In November 2019, MLT announced its S$200 million sustainability-linked loan. The six-year committed revolving credit facility linking a renewable energy generation target to financing is a first for a Singapore-listed REIT. Separately, MNACT secured a sustainability-linked loan of approximately S$174 million in the last quarter of 2019.

In March 2020, the Group unveiled a EUR200 million (~S$316.1 million) sustainability-linked loan from OCBC Bank. This is one of the largest sustainability-linked loans for a real estate developer in Singapore and is the Group's first. The loan will be used for general working capital and corporate funding purposes and is designed to tie the facility with Mapletree's environmental, social and governance initiatives.

1 ROIE is computed based on adjusted* PATMI over the Group's equity held at original invested cost (OIC).

2 ROE denotes return on equity and is computed based on PATMI attributable to Equity Holder of the Company over shareholder's funds.

3 PATMI denotes net profit after tax and non-controlling interests attributable to Perpetual Securities Holders and Equity Holder of the Company.

4 KPIs measured on a five-year cumulative basis.

5 Measured on Mapletree Investment's balance sheet perspective (excluding REITs and private funds).

6 MIC Fund was fully realised in April 2020.

7 After expenses, taxes and base management fee but before carried interest.

8 Excluding director and senior management's stake in fund.

9 Includes REIT management fees.

* *Adjusted to exclude non-cash and non-operating items such as unrealised revaluation gains or losses mark-to-market fair value adjustments, gains and losses on foreign exchange, negative goodwill and dilution gains and losses and include OIC gains from any gains and losses on disposal and corporate restructuring surplus or deficit.*