ESR-REIT

16th Annual General Meeting

23 April 2025

ESR
REIT

FY2024
Key Takeaways

ESR REIT

FY2024 Overview and Looking Ahead

FY2024 DPU

2.119 cents

Expected trough, given income loss from:

- c.$534.6m of non-core divestments undertaken in FY2023 – 2024
- c.$800m proceeds from divestments and EFR used to reduce debt pending deployment for majority of FY2024 amidst rapidly rising interest rate environment & valuation cap rates
- Decommission of 2 Fishery Port in preparation for potential redevelopment
- Only 1-month revenue contribution from 20TSA and ESR Yatomi Kisosaki DC acquisitions for FY2024

As a result of our “4R Strategy”,

Portfolio & Earnings Quality has IMPROVED

Expected to translate into Core DPU contributions going forward

Portfolio Land Lease Lengthened

As at 31 Dec 2022

37.4 Years

As at 31 Dec 2023

40.6 Years

As at 31 Dec 2024

43.8 Years

% of Freehold / >30 Yrs Land Lease Increased

As at 31 Dec 2022

54.2%

As at 31 Dec 2023

53.8%

As at 31 Dec 2024

71.6%

% of New Economy Assets Increased

As at 31 Dec 2022

62.8%

As at 31 Dec 2023

62.2%

As at 31 Dec 2024

70.2%

Looking Ahead – Expected Revenue Increases While Managing Operating Expenses

Contribution to NPI expected to increase due to full year rental contributions in FY2025 from (a) completed acquisitions (b) AEIs and (c) positive rental reversions, while managing operating expenses

Expected Increased in Rental Contributions

FY2025 will Receive Full Year Contribution from Acquisitions

- Expected c.S$15.3m full year distributable income contribution[1] from ESR Kisosaki DC and 20TSA acquisitions
- Key focus on core operations and to demonstrate NPI and DPU uptrend in 1H2025

Full Year Rental Contribution from Completed AEIs[2]

- AEIs were completed in phases in FY2024 and only contributed c.60-70% of full year income.
- Full year rental contribution in FY2025 is expected to improve NPI and DPU

+10.3% Positive Rental Reversions from Existing Portfolio

- Continue to see strong rental demand from New Economy sectors
- Positive full year impact still expected in FY2025, albeit at slower rate

Operating Expenses Managed

Utilities Pass Through

- 90% of our portfolio on pass through basis (less impacted by changes in utilities rates)
- Utilities rates maintained around similar levels
- We are in the midst of installing solar power systems for an additional 39% of our Singapore portfolio over the next 2 years, bringing total solar-powered coverage to 63%[3]

Repairs & Maintenance

- Expected to rise due to labour cost increase (e.g. Progressive Wage Model) and general inflation on raw materials
- Offset by:
  a) Announced service charge increments in Sep 2024 to c.65% of REIT's relevant portfolio to offset cost increases from service contracts due to higher labour cost, raw materials and inflation
  b) Contract amalgamation for economies of scale

Notes: (1) Based on the pro forma financial effects presented on page 64 of the circular to Unitholders in relation to the acquisitions dated 24 Sep 2024. (2) Completed AEIs assets: (a) 7002 Ang Mo Kio Avenue 5 and (b) 21B Senoko Loop. (3) Based on total GFA of Singapore portfolio as at 31 Dec 2024.

Looking Ahead – Interest Costs Expected to be Lower

A. Lower all-in cost of debt from 4.03% (as at 30 Jun 2024) to current 3.84%

- Early refinancing of existing 2025 debt at c.15 bps lower margins
- Acquisition loans for 20TSA and ESR Kisosaki DC – both of which were done at cheaper margins than existing loans
- Refinancing of existing portfolio hedges at lower rates

B. Lower interest cost trend expected to continue from:

- Interest savings from expiring FY25 debt which was refinanced at c.15bps lower margins
- Early refinancing of FY26 expiring debt at potentially lower margins (no prepayment penalties)
- Refinancing of existing hedges at lower rates
- Potential redemption or exchange of remaining S$75m 6.632% coupon PERPs at lower coupon

Cost of Debt

4.03% (As at 30 Jun 2024) → **3.84%** (As at 31 Dec 2024)

Weighted Average Debt Expiry

2.1 yrs (As at 30 Jun 2024) → **2.8 yrs** (As at 31 Dec 2024)

Fixed Rate Exposure

c.75% (As at 31 Dec 2024)

MAS Adjusted ICR

2.5x (As at 31 Dec 2024)

1 Early Refinancing of 2026 Expiring Debt

- No prepayment penalties in case of early refinancing
- Interest savings expected as 2026 expiring loans have margins c.10-15 bps higher[1] than existing loans
- Better portfolio and earnings quality which improves ESR-REIT's credit profile

2 Refinancing of Hedges at Lower Rates

- c.75% of loans on fixed rates – deliberate strategy in 2024 to let hedges expire to capitalise on lower hedge costs when as interest rates decline
- Shorter hedge tenor allows REIT to capture lower hedges upon expiry
- All-in cost currently comprises hedges as high as 3.2% – 3.8% for 2Y tenor

3 Potential Redemption or Exchange of PERPs

- There are still S$75m of 6.632% coupon PERPs outstanding
- These may be redeemed at every 6-month period (i.e., May and November each year)
- Potential interest savings upon redemption or exchange with lower coupon PERPs

Notes: (1) On a like-for-like tenor basis.

Key Takeaways

1

Execution of Asset Rejuvenations & Recycling of Capital is Beginning to Yield Results

- Completed AEIs / Redevelopments and Acquisitions are beginning to contribute positively to Gross Revenue and NPI
- Interest costs have peaked and expected to come down further in FY2025, in addition to redemption of expensive PERPs
- We have executed Unit Buybacks to reduce the number of units outstanding and will continue to do so
- We have also proposed a Unit consolidation to reduce stock price volatility and stock speculation
- Quality of earnings are expected to improve, driven by positive “core” income from the higher quality assets

2

Focus on Consolidation of Assets, Operations and Capital Structure to Drive Organic Growth

- FY2025 focus is on driving organic growth by enhancing asset performance, complete ongoing AEIs and streamlining operations
- Monitoring ESR-REIT’s capital structure amid volatile markets, especially with the potential return of higher interest rates if global inflation persists due to inflation inducing tariff policies by the Trump Administration
- Continue to rationalise asset portfolio with divestment of non-core assets and redeploy proceeds to AEIs, Unit Buybacks and Sustainability efforts
- Growth via acquisitions and issue of new equity will take a back seat

3

ESR-REIT’s FY2025 Outlook

- YoY NPI and DI expected to increase given meaningful full year contributions from (a) completed Acquisitions (b) completed AEIs / Redevelopments and (c) positive rental reversions
- ESR-REIT‘s fixed rate hedges and loan expiries are well positioned to capitalise on lower hedge costs given lower interest rates (vs. FY2023)
- Redemption of more expensive S$75 million Series 006 6.632% PERPS in May 2025 subsequent to new S$125 million Series 011 5.75% PERPS issued in March 2025
- Initiatives undertaken in past 2 years expected to enhance Assets and Earnings quality and reduce Debt concentration risks
- Key risks: Uncertainties in global trade, economic growth and global supply chain associated with the unpredictable Trump Administration and its inflationary tariff inducing economic policies.

FY2024 Results Highlights

Financial Updates

Gross Revenue
S$370.5 million
-4.1% y-o-y

Net Property Income
S$261.7 million
-4.2% y-o-y

DPU per Unit
2.119 cents

NAV per Unit
27.5 cents

Portfolio Updates

Positive Rental Reversion
+10.3%
(FY2023: +11.1%)

Healthy Occupancy Rate
92.3%

Significant New Economy Exposure
70.2%

Divestments
- 81 Tuas Bay Drive at 16.7% premium to valuation
- 182-198 Maidstone Street, Australia at 7.4% premium to valuation

Acquisitions
S$772.6m acquisitions which are expected to be +3.0% DPU accretive on a pro forma basis[(1)]:
- ESR Yatomi Kisosaki Distribution Centre
- 51% interest in 20 Tuas South Avenue 14

Capital Management

Gearing
42.8% as at 31 Dec 2024

Cost of Debt
3.84% per annum
(31 Dec 2023: 3.91%)

Weighted Average Debt Expiry
2.8 years
(31 Dec 2023: 2.4 years)

Interest Rate Exposure Hedged
74.8% on fixed rates

MAS Adjusted ICR
2.5x

No Refinancing Risk in FY2025
- FY2025 expiring loans refinanced ahead of time at lower margins
- Entered into inaugural Sustainability-Linked and Green Loans in FY2024

Notes: (1) Assuming the acquisitions had been completed on 1 January 2023 and ESR-REIT held and operated the properties through to 31 December 2023. Please refer to the announcement titled "Updated Method of Financing - Proposed Acquisition of 100% Interest in Kisosaki & 51% Interest in 20TSA" dated 13 August 2024 for the pro forma bases and assumptions.

ESR-REIT Completed Phase 2 of "4R Strategy"

"4R Strategy" commenced in FY2023(1) to rejuvenate portfolio quality and fundamentals resulted in DPU trough in FY2024, which is expected to translate into DPU growth and better earnings quality going forward in FY2025

Growth

Reinforce Sponsor's Commitment

- Access to Sponsor's visible and executable New Economy pipeline of high-quality logistics assets
- Acquisitions of the New Japan Property and New Singapore Property
- Financial Support and Alignment of Interest: ESR Irrevocable Undertaking ("ESR IU") to procure the subscription of up to S$88.2m for the Preferential Offering

Recycle Capital

- Recycling into future-ready, modern, in-demand, freehold or longer land lease, New Economy assets with green features
- Completed acquisitions of two "On-Strategy" assets in Japan and Singapore in 2024, which are expected to be +3.0% DPU accretive

Rejuvenate Asset Portfolio

- Undertaking AEIs and redevelopments to improve overall portfolio quality
- Completed value enhancing AEIs and redevelopments:
  - 7002 Ang Mo Kio Ave 5
  - 21B Senoko Loop
- S$534.6m divestment of non-core assets in 2023 and 2024
- Implementation of ESG and decarbonisation roadmap with inauguration of sustainability committee

Recapitalise for Growth

- Successful S$300.0m EFR in early 2023
- Revitalising ESR-REIT's capital structure with longer dated debt tenors to capture forthcoming interest rate cuts

Notes: (1) For further details on ESR-REIT's growth strategy, please refer to the announcement titled "Launch of Equity Fund Raising to Raise Gross Proceeds of Not Less than Approximately S$300.0 Million" dated 16 February 2023.

Glossary

ALOG: ALOG Trust

ESR Group or the Sponsor: ESR Group Limited

Definitions:

- **AUM**: refers to the total value of investment properties (excluding right of use of leasehold land), investments in joint venture and property funds
- **Effective Gross Rents**: effective rents take into account rent-free periods and rental escalation as the total rent payable for the lease period would be less than what is reported for passing rents
- **Gross Rents:** contracted rent
- **New Economy**: refers to logistics and high-specs industrial sectors
- **Portfolio Occupancy**: excludes properties under development
- **Passing Rents**: rent payable as stipulated in the lease agreement. These rates are usually quoted on gross basis
- **Rental Reversion:** a metric captured by some REITs to show whether new leases signed have higher or lower rental rates than before. Based on average gross rent
- **Weighted Average Lease Expiry**: a metric used to measure the tenancy risk of a particular property. It is typically measured across all tenants' remaining lease in years and is weighted with either the tenants' occupied area or the tenants' income against the total combined area or income of the other tenants

Abbreviations:

AEI: asset enhancement initiatives
APAC: Asia Pacific
AUM: assets under management
Bn or b: billion
CAGR: compounded annual growth rate
CBD: central business district
DPU: Distribution per Unit
GDP: gross domestic product
ESG: environmental, social, governance
GFA: gross floor area
GLA: gross lettable area
GRI: gross rental income
GRESB: global real estate sustainability benchmarks
JTC: JTC Corporation
m: million
NAV: net asset value
NLA: net lettable area
psfpm: per square foot per month
psf: per square foot
psm: per square metre
q-o-q: quarter on quarter
REIT: real estate investment trust
sqm: square metre
sqft: square feet
TOP: temporary occupation permit
WALE: weighted average lease expiry
WIP: work-in-progress
y-o-y: year on year

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