

REAL ESTATE EQUITY RESEARCH

SPH REIT

SGX: SK6U

Bloomberg: SPHREIT:SP

ISIN code: SG2G02994595

Country: Singapore

Industry: Real Estate, Commercial REITs

12 August 2022

RECOMMENDATION: NEUTRAL

Current price: S\$0.940

Target price: S\$0.980

Issued units: 2,808.00 million (29 July 22)

Market capitalisation: S\$2,639.52 million

52-week range: S\$0.875 - S\$1.060

PRICE PERFORMANCE



COMPANY DESCRIPTION

SPH Real Estate Investment Trust (collectively defined herein as SPH REIT) is a Singapore-based retail real estate investment trust. SPH REIT primarily invests in a portfolio of income-producing real estate, which is used primarily for retail purposes in Asia Pacific, as well as real estate-related assets. SPH REIT's portfolio consists of five commercial properties, which include Paragon, The Clementi Mall and The Rail Mall located in Singapore; Westfield Marion Shopping Centre and Figtree Grove Shopping Centre located in Australia.

SUMMARY

For the half year ended 28 February 2022 (1H2022), SPH REIT recorded a 1.2% yoy increase in gross revenue to S\$141.6 million from S\$140.0 million over the same period a year ago. The increase was mainly due to gradual market recovery in Singapore and Australia. Property operating expenses also increased by 3.6% yoy to S\$36.4 million in 1H2022 from S\$35.1 million in 1H2021. Accordingly, SPH REIT recorded a 0.4% yoy increase in net property income of S\$105.3 million in 1H2022 compared to S\$104.9 million the same period a year ago. During this period, SPH REIT reported total return after taxes and before distribution of S\$112.0 million. Consequently, total return attributable to unitholders amounted to S\$105.5 million, translating to an earning per unit of 3.77 cents. Meanwhile, with higher total return attributable to unitholders, amount distributed to unitholders increased by 10.8% yoy to S\$75.1 million in 1H2022 from S\$67.8 million in 1H2021. This led to a distribution per unit of 2.68 cents for 1H2022.

RECOMMENDATION

Based on SPH REIT's reported NAV per unit S\$0.92, SPH REIT currently has a P/B multiple of 1.02x. Our peer comparison results show that SPH REIT could be overvalued, given a higher P/B of 1.02x compared to its peer average P/B of 0.93x. At the same time, based on SPH REIT's 12 months trailing earnings per unit of 5.21 cents as at 28 February 2022, the share is currently trading at a P/E of 18.04x, which is lower than its peer average P/E of 20.54x, suggesting that it may be undervalued in terms of P/E multiple. In addition, we note that SPH REIT's distribution yield of 6.07% is relatively more attractive than the peer average distribution yield of 5.63%. Adopting a relative valuation approach, we estimate a target price of S\$0.856, S\$1.070 and S\$1.013 based on the P/B, P/E and distribution yield analysis respectively. Taken together, we estimate a target price of S\$0.980, which is the average of our estimated target price based on the P/B, P/E and distribution yield peer comparison analysis. This target price represents a 4.26% upside from the current share price of S\$0.940. We believe this upside could be justified by a potential recovery in Singapore's retail sector amid the implementation of Vaccinated Travel Framework (VTF) and the removal of border restrictions & measures. Given the above, we believe a neutral recommendation is warranted on SPH REIT.

KEY FINANCIALS

	Revenue (S\$ million)	Return ⁽³⁾ (S\$ million)	EPU (cents)	P/E (x)	DPU (cents)	Distribution yield (%)	NAV per unit (S\$)	P/B (x)
Year ended Dec 31								
2020 actual ⁽¹⁾	241.5	(74.9)	3.77	24.93	2.72	2.9%	0.91	1.03
2021 actual ⁽¹⁾	277.2	137.3	4.86	19.34	5.40	5.7%	0.91	1.03
2022 forecast ⁽²⁾	383.0	232.2	8.28	11.36	7.38	7.8%	0.92	1.02
2023 forecast	294.8	151.4	5.39	17.44	5.62	6.0%	-	-

Figures have been rounded. P/E, P/B and dividend yield figures are based on current price of S\$0.940

(1) Year ended Aug 31

(2) NAV as at 28.02.22

(3) Attributable to Unitholders

Source: SPH REIT, FPA Financial

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CONTENTS

COMPANY OVERVIEW	3-17
(I) CORPORATE PROFILE	
(II) SUBSTANTIAL SHAREHOLDERS	
(III) SPONSOR OF SPH REIT	
(IV) SPH REIT'S STRUCTURE	
(V) OVERVIEW OF SPH REIT'S PORTFOLIO	
(VI) GEOGRAPHICAL REVENUE CONTRIBUTION	
INDUSTRY OUTLOOK	18-22
(I) SINGAPORE RETAIL	
(II) AUSTRALIA RETAIL	
RECENT SHARE PRICE DEVELOPMENT	23-24
FINANCIAL ANALYSIS	25-29
(I) FINANCIAL REVIEW	
(II) CAPITAL MANAGEMENT	
POTENTIAL CATALYSTS.....	30
(I) POTENTIAL RECOVERY IN RETAIL RENTS	
(II) POSSIBILITY OF A SALE OF PROPERTIES	
FINANCIAL PROJECTIONS	31-42
(I) REVENUE PROJECTION	
(II) EARNINGS PROJECTION	
(III) DISTRIBUTIONS PROJECTION	
VALUATION ANALYSIS	43-45
(I) PEER COMPARISON ANALYSIS	
SWOT AND COMPETITIVE ANALYSIS	46-47
(I) STRENGTHS	
(II) WEAKNESSES	
(III) OPPORTUNITIES	
(IV) THREATS	
INVESTMENT RECOMMENDATION	48
RISKS TO THE TARGET PRICE	49-50
(I) WEAK ECONOMIC RECOVERY IN SINGAPORE	
(II) CURRENCYRISK	
(III) RISE IN ONLINE RETAILING	
CORPORATE GOVERNANCE.....	51-54
(I) REMUNERATION	
SUSTAINABILITY INFORMATION	55-59
DISCLOSURES/DISCLAIMERS	60

COMPANY OVERVIEW

In this section, we will discuss SPH REIT's corporate profile, substantial shareholders, sponsor of SPH REIT, SPH REIT's structure, overview of its portfolio and its geographical revenue contribution.

(I) Corporate Profile

SPH REIT is a Singapore-based real estate investment trust established principally to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific, as well as real estate-related assets. SPH REIT was listed on the Singapore Exchange Securities Trading Limited (SGX) on 24 July 2013 and is sponsored by Singapore Press Holdings Limited (Sponsor), Asia's leading media organisation with publications across multiple languages and platforms.

As at 28 February 2022, SPH REIT's portfolio comprises five quality and well-located commercial properties in Singapore and Australia. The three properties in Singapore total up to 962,955 sq ft Net Lettable Area (NLA) with an aggregate value of S\$3.3 billion, whereas the two properties in Australia have an aggregate Gross Lettable Area (GLA) of 1,721,801 sq ft, and an aggregate value of S\$829.1 million

As of 28 February 2022, SPH REIT had approximately total assets of S\$4.281 billion and unitholder's fund of S\$2.579 billion.

(II) Substantial Shareholders

As at 30 June 2022, Cuscaden Peak Pte Ltd is SPH REIT's largest substantial shareholder with 1,730,130,671 shares representing 61.61% total interest as shown in **Exhibit 1**. According to information available, approximately 33.70% of the units in SPH REIT is held by the public.

Exhibit 1: SPH REIT's Register of Substantial Shareholders

Substantial Shareholder	Direct interest	Deemed interest ⁽¹⁾	Total interest	
			Number of shares	% ⁽²⁾
Cuscaden Peak Pte. Ltd		1,730,130,671	1,730,130,671	61.61%

(1) SPH REIT units owned, controlled or agreed to be acquired by Cuscaden Peak Pte. Ltd and its concert parties

(2) Total interest percentage is calculated based on 2,808,000,000 issued units (rounded to nearest thousand) as at 29.07.22

Source: SPH REIT, FPA Financial

Cuscaden Peak Pte. Ltd. (Cuscaden) is a company formed by a consortium comprising Tiga Stars Pte. Ltd. (TSPL) (a subsidiary of Hotel Properties Limited (HPL)), Adenium Pte. Ltd. (APL) (a wholly-owned subsidiary of CLA Real Estate Holdings Pte Ltd (CLA)) and Mapletree Fortress Pte. Ltd. (MFPL) (an indirect, wholly-owned subsidiary of Mapletree Investments Pte Ltd (Mapletree)). The shareholding proportion of TSPL, APL and MFPL in relation to Cuscaden is 40%, 30% and 30% respectively

Tiga Stars Pte Ltd is an investment holding company that is 70% owned by HPL and the remaining 30% by Como Holdings Inc which is ultimately owned by Mr Ong Beng Seng. HPL is a Singapore-incorporated company listed on the Mainboard of the Singapore Exchange Securities Trading Limited that engages in hotel ownership, management and operation, property development, and investment holding. The HPL group has interests in 39 hotels across 15 countries under prestigious hospitality brands and also manages its own portfolio of hotels under well-established brands. In addition, HPL also has established a distinctive track record in developing quality and premium residential and commercial properties in local and overseas markets including Australia, Japan, Thailand, the United Kingdom and the United States. Mr Ong Beng Seng is the Managing Director and deemed majority shareholder of HPL.

Adenium Pte. Ltd is a wholly owned subsidiary of CLA. CLA's portfolio includes 100% shareholding in CapitaLand Limited, real estate assets in Australia, and investments in the life sciences sector. CapitaLand Limited is a diversified real estate group that is headquartered in Singapore. It engages in real estate development and investment, and holds a majority stake in the Singapore mainboard-listed CapitaLand Investment Limited. CLA is an independently managed portfolio company of Temasek Holdings (Private) Limited.

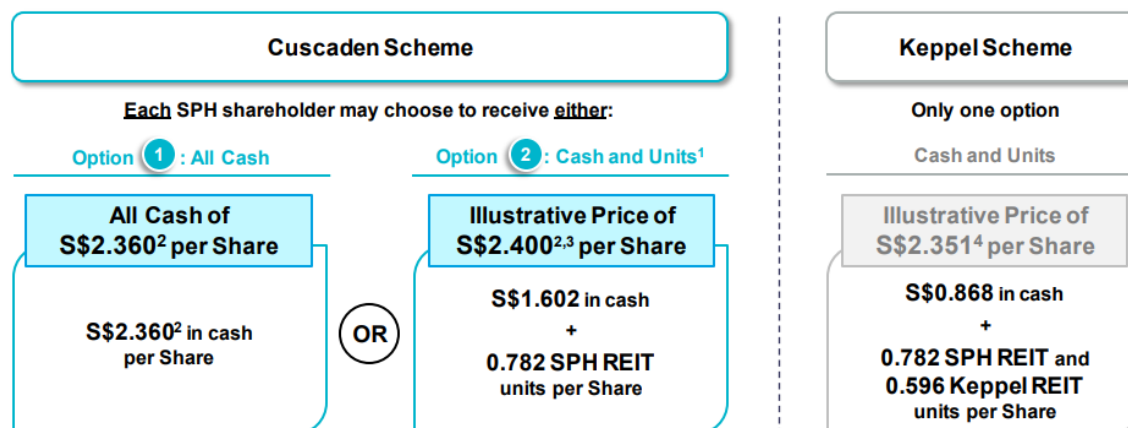
Mapletree Fortress Pte. Ltd is an indirect, wholly owned subsidiary of Mapletree. Mapletree is a Singapore incorporated company which engages in real estate development, investment, capital and property management. As at 31 March 2022, Mapletree owns and manages S\$78.7 billion of office, retail, logistics, industrial, data centre, residential and lodging properties. The Mapletree group manages four Singapore-listed real estate investment trusts and six private equity real estate funds. Mapletree is an independently managed portfolio company of Temasek Holdings (Private) Limited.

History of Cuscaden's Acquisition of SPH and Chain Offer for SPH REIT

In November 2021, Singapore Press Holdings (SPH) (the sponsor of SPH REIT) received two takeover bids from Cuscaden and Keppel Pegasus Pte. Ltd. (Keppel). Under the Cuscaden Scheme, each SPH shareholder had the opportunity to elect between (i) an All Cash Consideration (option 1) or (ii) a Cash and Units Consideration (option 2), with both options having higher consideration value of up to S\$2.4001 per share. Meanwhile, Keppel's offer for SPH was S\$2.351 per share, consisting of S\$0.868 per share in cash, 0.596 of a Keppel Reit unit and 0.782 of an SPH REIT unit.

The summary of the two takeover bids is shown in **Exhibit 2**.

Exhibit 2: Cuscaden and Keppel's Takeover Bids for SPH



Source: SPH REIT

During the Extraordinary General Meeting (EGM) and the Scheme Meeting held on 22 March 2022, the shareholders of SPH approved and sanctioned the Cuscaden Scheme. On 1 April 2022, the Cuscaden Scheme was sanctioned by the High Court of Singapore. The Company had also announced that the Transfer Books and Register of Members of the Company will be closed on 11 April 2022 (the "Record Date") in order to determine the entitlements of Eligible Shareholder in respect of the the Cuscaden Scheme. The last day of trading for SPH was 7 April 2022 and was delisted on 13 May 2022

On 29 April 2022, SPH REIT announced that Cuscaden Peak and its concert parties (Cuscaden) behind the takeover of Singapore Press Holdings (SPH) are expected to make a chain offer for SPH REIT. As a result of the takeover, approximately 732.3 million SPH REIT units – representing about 26.1% of the total number of issued and outstanding SPH REIT units – will be transferred to Cuscaden. Including SPH REIT units held by SPH after the completion of the distribution-in-specie, Cuscaden and its concert parties will own around 47.2% of the total issued SPH REIT units.

Rationale for Chain Offer for SPH REIT

The Securities Industry Council (SIC) had confirmed in its ruling of 18 October 2021 that the chain principle set out in Note 7 on Rule 14.1 of the Code applies such that a person (whether the Offeror or any other party making a competing offer to the Cuscaden Scheme) which acquires statutory control of SPH will also be required to make an offer (Chain Offer) for the units in SPH REIT (SPH REIT Units) not held by such offeror and its concert parties.

In connection with the takeover of SPH, Cuscaden, including units owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror (Offeror Concert Parties) will own approximately 47.2% of the total issued SPH REIT Units and accordingly, Cuscaden has incurred an obligation under Note 7 on Rule 14.1 of the Code to make the Chain Offer on the 29 April 2022.

Offer Price for SPH REIT

Based on the SIC's confirmation that the minimum offer price for the Chain Offer shall be the simple average of the daily volume-weighted average traded prices of the SPH REIT Units on the Singapore Exchange Securities Trading Limited on either the latest 20 trading days prior to 29 October 2021 or whatever number of trading days there were within the 30 calendar days prior to the Initial Announcement Date, the minimum offer price for the Chain Offer is S\$0.964 per SPH REIT Unit

However, if any distribution or return of capital is announced, declared, paid or made by SPH REIT Management Pte. Ltd., as the manager of SPH REIT in respect of the SPH REIT Units on or after 15 November 2021, the Cuscaden reserves the right to reduce the Minimum Chain Offer Price by an amount equivalent to such distribution or return of capital.

In connection with the foregoing, the Cuscaden is entitled to reduce the Minimum Chain Offer Price by an amount equivalent to the aggregate of the following:

- (i) the cash distribution of S\$0.0124 per SPH REIT Unit announced by the SPH REIT Manager on 9 February 2022 and paid to the unitholders of SPH REIT on 28 February 2022 (1QFY2022 Distribution); and
- (ii) the cash distribution of S\$0.0144 per SPH REIT Unit announced by the SPH REIT Manager on 1 April 2022 and to be paid to the Unitholders on 20 May 2022 (2QFY2022 Distribution).

The offer price for each Offer Unit for the Chain Offer on an ex-1QFY2022 Distribution and ex-2QFY2022 Distribution basis is S\$0.9372 as shown in **Exhibit 3**. The offer price is 3.9% below SPH REIT's last traded price (Apr 28), of S\$0.975. It is also 2.8% below SPH REIT's daily volume-weighted average price (VWAP).

Exhibit 3: Cuscaden's Offer Price for SPH REITS\$ per SPH REIT Unit

Minimum Chain Offer Price	0.9640
Adjustment for 1QFY2022 Distribution	(0.0124)
Adjustment for 2QFY2022 Distribution	(0.0144)
Offer Price	<u>0.9372</u>

Accordingly, the consideration for each Offer Unit is:

For each Offer Unit: S\$0.9372 in cash (the "Offer Price")

Source: SPH REIT, SGX

Cuscaden's Intentions in Relation to SPH REIT

It is the current intention of Cuscaden that SPH REIT continues with its existing activities and there are presently no plans to make any material changes to SPH REIT's existing business, re-deploy its fixed assets or to initiate any major changes to the investment policy of SPH REIT, except in the ordinary course of business (which in the case of SPH REIT would include the investment, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific as well as real estate-related assets).

Cuscaden however retains the discretion and flexibility to conduct a review of the operations of SPH REIT and to consider any options or opportunities which may present themselves and which it regards to be in the interests of SPH REIT and the Unitholders following the close of the Chain Offer.

Close of Chain Offer

On 1 July 2022, SPH REIT announced that the Chain Offer has closed at 5.30 p.m. (Singapore time) on 30 June 2022. Cuscaden announced that it has received valid acceptances of the Chain Offer in respect of an aggregate of 402,882,246 Offer Units, representing approximately 14.36% of the total issued SPH REIT Units.

Accordingly, the total number of SPH REIT Units owned by, Cuscaden (Offeror), including units owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror (Offeror Concert Parties) amounted to an aggregate of 1,730,130,671 Units, representing approximately 61.68% of the total number of issued SPH REIT Units as shown in **Exhibit 4**.

Exhibit 4: Cuscaden's Approximate Percentage of the Total SPH REIT Unit

	Number of SPH REIT Units	Approximate percentage of the total SPH REIT Units (%) ²
SPH REIT Units owned, controlled or agreed to be acquired as at 29 April 2022 (the "Formal Chain Offer Announcement Date") by:		
(i) Offeror	732,297,185	26.11
(ii) Offeror Concert Parties (other than the Offeror) ³	595,281,240	21.22
SPH REIT Units acquired or agreed to be acquired between the Formal Chain Offer Announcement Date and up to 5.30 p.m. (Singapore time) on the Closing Date (other than pursuant to valid acceptances of the Chain Offer) by:		
(i) Offeror	Nil	Nil
(ii) Offeror Concert Parties (other than the Offeror)	Nil	Nil
Valid acceptances of the Chain Offer as at 5.30 p.m. (Singapore time) on the Closing Date received from:		
(i) Unitholders (other than the Offeror Concert Parties)	402,552,246	14.35
(ii) Offeror Concert Parties (other than the Offeror) ³	330,000	0.01
SPH REIT Units owned, controlled or agreed to be acquired by the Offeror (including valid acceptances of the Chain Offer) as at 5.30 p.m. (Singapore time) on the Closing Date	1,135,179,431	40.47
SPH REIT Units owned, controlled or agreed to be acquired by the Offeror Concert Parties (including valid acceptances of the Chain Offer) as at 5.30 p.m. (Singapore time) on the Closing Date	1,730,130,671	61.68

Source: SPH REIT

(III) Sponsor of SPH REIT

The sponsor of SPH REIT is Singapore Press Holdings Limited (Sponsor), Asia's leading media organisation with publications across multiple languages and platforms. Incorporated in 1984, Singapore Press Holdings Ltd is one of the region's most established organisations with businesses in Retail & Commercial, Purpose-Built Student Accommodation (PBSA), Aged Care and Digital.

SPH is also a leading player in PBSA, owning and operating a portfolio of assets in 18 cities across the United Kingdom and Germany. With a complete suite of operational, asset and fund management capabilities, SPH currently operates two distinctive brands, Student Castle and Capitol Students and has more than 8,300 beds within its portfolio.

On the Aged Care and Digital front, SPH owns Orange Valley, one of Singapore's largest private nursing homes and has a portfolio of six assets in Japan. SPH also has a portfolio of Digital investments such as iFast, Coupang, sgCarMart and FastJobs.

The Sponsor was one of the country's "blue-chip" counters on the Singapore Exchange Securities Trading Limited (SGX) until its delisting on 13 May 2022 following its acquisition by Cuscaden Peak. It was also a constituent of the Straits Times Index until its removal on 22 June 2020.

(IV) SPH REIT's Structure

An overview of SPH REIT's structure shows the roles of the individual entities within the trust structure and the relationship between these entities.

Trustee of SPH REIT

DBS Trustee Limited (Trustee) is under a duty to take into custody and hold the assets of SPH REIT and its subsidiaries in trust for the holders of units in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of SPH REIT Management Pte. Ltd. (Manager) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 9 July 2013 supplemented by the First Supplemental Deed on 7 November 2016 and Second Supplemental Deed on 6 January 2017 between the Manager and the Trustee in each annual accounting year and report thereon to Unitholders in an annual report.

Property Manager of SPH REIT

SPH Retail Property Management Services Pte. Ltd. has been appointed as property manager of the Properties. The Property Manager is an indirect wholly-owned subsidiary of the Sponsor, and was incorporated in Singapore on 6 August 2010.

The Property Manager will be providing property management services for the commercial properties that are owned or to be acquired by the Sponsor outside of the Initial Portfolio. It is run by an experienced pool of staff. The Initial Portfolio will be managed by a separate leasing team which will have in place appropriate chinese wall policies.

The Property Manager will work with the Manager to formulate strategic plans for SPH REIT in accordance with the Manager's stated investment strategy. The Property Manager will be responsible for implementing best practices in the portfolio management aspects across the Initial Portfolio.

Manager of SPH REIT

SPH REIT is managed by SPH REIT Management Pte Ltd (Manager). The Manager has general powers of management over the assets of SPH REIT. The Manager's main responsibility is to manage SPH REIT's assets and liabilities for the benefit of Unitholders.

The Manager will set the strategic direction of SPH REIT and give recommendations to the Trustee on the acquisition, divestment, development and/or enhancement of assets of SPH REIT in accordance with its stated investment strategy.

The Manager has covenanted in the Trust Deed to use its best endeavours to:

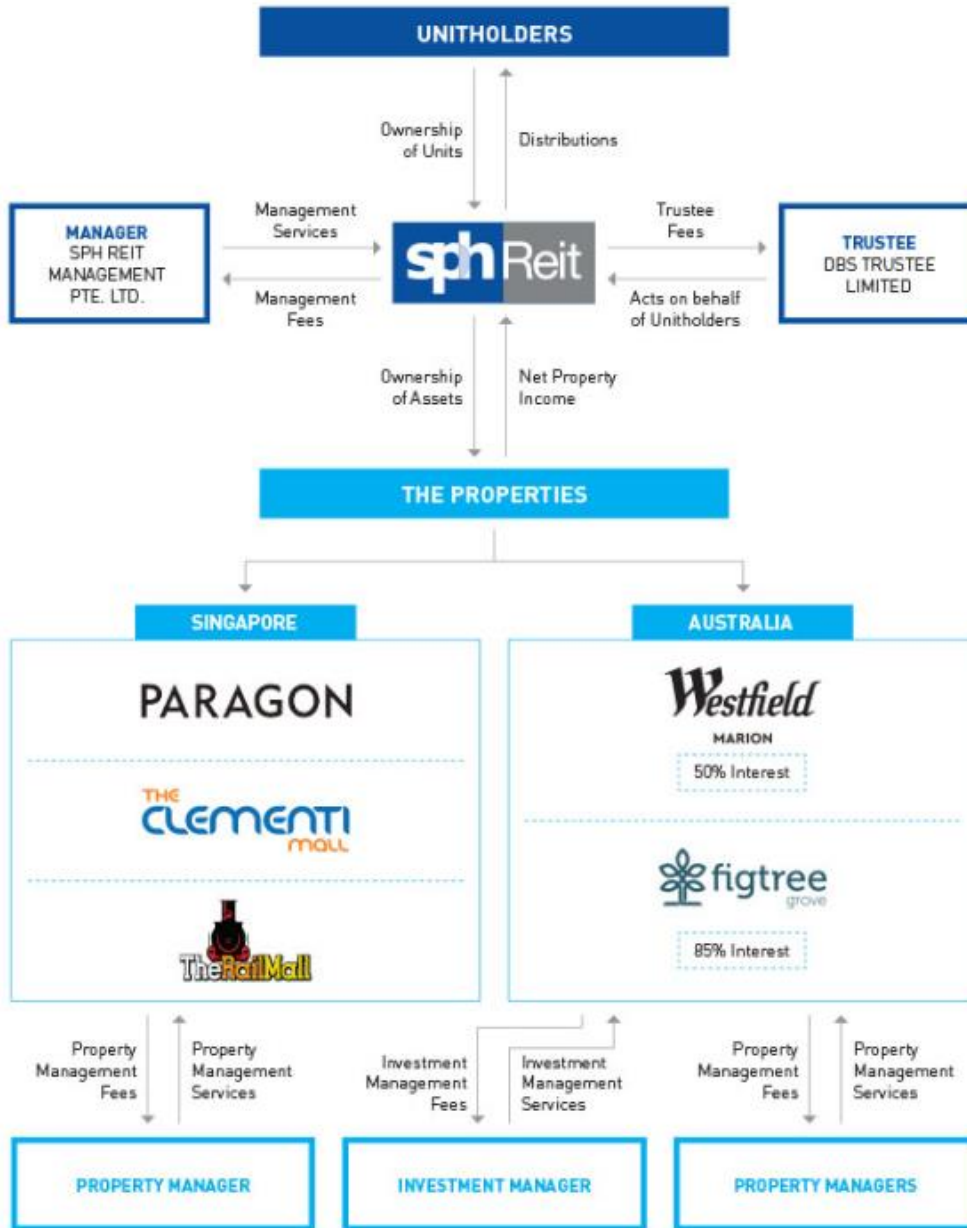
- carry on and conduct its business in a proper and efficient manner;
- ensure that SPH REIT is carried on and conducted in a proper and efficient manner; and
- ensure that its Related Parties will conduct all transactions with or for SPH REIT on an arm's length basis and on normal commercial terms.

The Manager will prepare property plans on a regular basis, which may contain proposals and forecasts on Gross Revenue, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions. The purpose of these plans is to explain the performance of SPH REIT's properties.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual, the Property Funds Appendix, the Singapore Code on Take-overs and Mergers, the Trust Deed, the CMS Licence and any tax ruling and all relevant contracts. The Manager will be responsible for all regular communications with Unitholders.

A diagrammatic representation of the trust structure of SPH REIT is shown in **Exhibit 5**.

Exhibit 5: SPH REIT’s Trust Structure



Source: SPH REIT

(V) Overview of SPH REIT’s Portfolio

Characteristics of the portfolio

As at 28 February 2022, SPH REIT’s portfolio comprises five quality and well-located commercial properties in Singapore and Australia. The three properties in Singapore are Paragon, The Clementi Mall and The Rail Mall, whereas the two properties in Australia are Westfield Marion Shopping Centre and Figtree Grove Shopping Centre

A summary of the property name, description, number of tenants, ownership and net lettable area (NLA) of SPH REIT’s portfolio is shown in **Exhibit 6**.

Exhibit 6: Summary of SPH REIT’s Portfolio

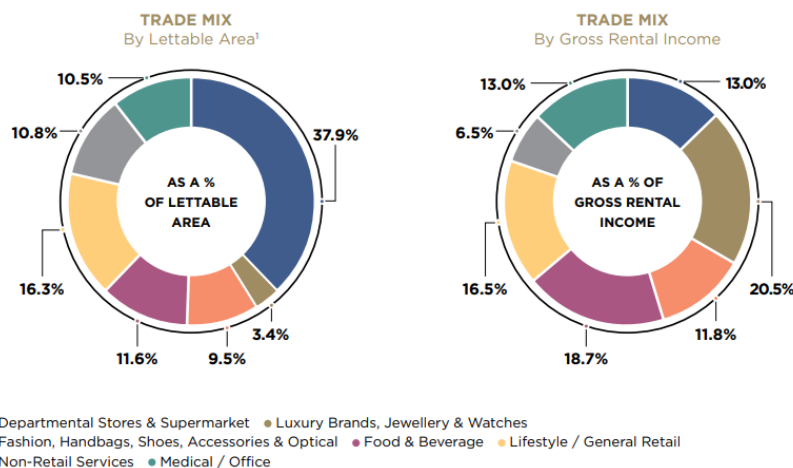
	Paragon	The Clementi Mall	The Rail Mall	Westfield Marion Shopping Centre	Figtree Grove Shopping Centre
Description	A 6-storey retail podium with one basement level, together with a 14-storey medical suite/ office tower and another 3-storey medical suite/office tower both sitting on top of the retail podium. It also includes a basement carpark.	A 5-storey retail podium including a basement carpark, a public library, with direct transport links to the bus interchange on the ground floor and Clementi MRT station on the 3rd floor via a linkbridge	A retail strip with a 360-metre prominent road frontage along Upper Bukit Timah Road. Comprising 43 single-storey shop units, The Rail Mall is linked by a short walking distance to one of the key access points to the Rail Corridor.	The largest and only super regional shopping centre in South Australia, Westfield Marion sits on a land parcel of approximately 2.5 million sq ft and is strategically located approximately 10.0 kilometers south west of Adelaide’s CBD	A dominant sub-regional shopping centre located in Wollongong, New South Wales, Figtree Grove Shopping Centre is located approximately 3 km south-west of the Wollongong CBD and approximately 85 km south-west of the Sydney CBD.
Number of tenants	296	157	27	297	85
Ownership Interest	100%	100.00%	100%	50%	85%
Net Lettable Area	Retail 494,807 sq ft Medical suites/offices 223,098 sq ft Total 717,905 sq ft	Retail 195,283 sq ft	Retail 49,767 sq ft	1,485,243 sq ft	236,558 sq ft

Source: SPH REIT, FPA Financial

Portfolio Trade Mix

SPH REIT’s portfolio is well-diversified and relies on different trade sectors for rental income. **Exhibit 7** provides a breakdown by GRI and NLA of the different trade sectors represented in the portfolio as at 31 August 2021.

Exhibit 7: SPH REIT’s Portfolio Trade Mix



Source: SPH REIT

Portfolio Valuation

As at 28 February 2022, the valuation of SPH REIT's properties was approximately S\$4,158.8 million, representing a 0.87% increase from S\$4,123.0 million as at 31 August 2021. This was due to a slight increase in valuation of Paragon, The Clementi Mall, Westfield Marion Shopping centre and Figtree Grove Shopping Centre of S\$30.0 million, S\$3.5 million and S\$2.2 million and S\$80,000 respectively as shown in **Exhibit 8**.

Exhibit 8: SPH REIT's Portfolio Valuation

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 28 Feb 2022	Occupancy Rate as at		At Valuation	
					28 Feb 2022 (%)	31 Aug 2021 (%)	28 Feb 2022 S\$'000	31 Aug 2021 S\$'000
<u>Singapore</u>								
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)	91 years	98.8	99.1	2,670,000	2,640,000
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010	88 years	99.9	99.9	597,500	594,000
The Rail Mall	380 to 400 & 422 to 484 (Even Nos) Upper Bukit Timah Road, Singapore 678040 to 678050 & 678051 to 678087	Leasehold	99 years, commencing on 18 March 1947	25 years	100.0	92.2	62,200	62,200
<u>Australia</u>								
Westfield Marion Shopping Centre	293-297 Diagonal Road, Oaklands Park, Adelaide, South Australia, 5046	Freehold	-	-	98.0	98.8	632,284	630,060
Figtree Grove Shopping Centre	19 & 23 Princes Highway, Figtree, Wollongong, NSW 2525	Freehold	-	-	99.0	99.1	196,820	196,740

Source: SPH REIT

Occupancy

We also note that SPH REIT's occupancy rate for its properties has remained relatively high, between 98.0% to 100.0% as shown in **Exhibit 9**.

Exhibit 9: SPH REIT Properties' Occupancy Rate

As of 28 February 2022	Singapore			Australia	
	Paragon	The Clementi Mall	The Rail Mall	Westfield Marion	Figtree Grove
NLA ('000 sqft)	715	195	50	1,475	236
Occupancy rate	98.8%	99.9%	100%	98.0%	99.0%

Source: SPH REIT

Top 10 Tenants

We note that SPH REIT's top 10 tenants contributed 20.6% of gross rental income for the month of August 2021. The top 10 tenants (by gross rental income) are shown in **Exhibit 10**.

(a) Name of Top 10 Tenants

Burberry Singapore • Club 21 • Cold Storage Singapore • Cortina Watch • Ermenegildo Zegna Far-East Ferragamo Singapore • Metro • Prada Singapore • Wesfarmers • Woolworths Group

Exhibit 10 sets out selected information about the top 10 tenants of the portfolio based on gross rental income for the month of August 2021

Exhibit 10: Top 10 Tenants based on Total Gross Rental Income

	Tenant ^{1,2}	Trade Sector	Lease Expiry (Year) ³	% of Rental Income
1	Tenant A	Departmental Stores & Supermarket	1H 2024	3.8%
2	Tenant B	Departmental Stores & Supermarket	between 1H 2030 & 2H 2036	3.1%
3	Tenant C	Luxury Brands, Jewellery & Watches	between 2H 2022 & 2H 2024	3.0%
4	Tenant D	Departmental Stores & Supermarket, Lifestyle	between 1H 2022 & 1H 2026	2.1%
5	Tenant E	Luxury Brands, Jewellery & Watches	between 1H 2025 & 2H 2025	1.9%
6	Tenant F	Luxury Brands, Jewellery & Watches	1H 2024	1.6%
7	Tenant G	Luxury Brands, Jewellery & Watches, Fashion	between 1H 2022 & 1H 2023	1.5%
8	Tenant H	Luxury Brands, Jewellery & Watches	2H 2024	1.3%
9	Tenant I	Departmental Stores & Supermarket	between 2H 2022 & 1H 2033	1.2%
10	Tenant J	Luxury Brands, Jewellery & Watches	1H 2023	1.1%
	Total			20.6%

¹ The list of top 10 tenants above does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements in the Annual Report.

² The names of the tenants cannot be matched to the information set out above for confidentiality reasons.

³ A few of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.

Source: SPH REIT

Lease Expiry Profile

Regarding the lease expiry for SPH REIT’s properties, we note that majority of lease expirations will take place in FY2027 and beyond mainly due to anchor tenants with long leases, which ensures the SPH REIT enjoys a more stable cash flow. As a percentage of total NLA and GRI, 44.2% and 32.6% respectively, of SPH REIT portfolio’s will expire in FY2027 and beyond as shown in **Exhibit 11**.

As at 31 May 2022, the weighted average lease expiry (WALE) of SPH REIT’s portfolio by NLA and GRI was 5.4 years and 2.9 years respectively.

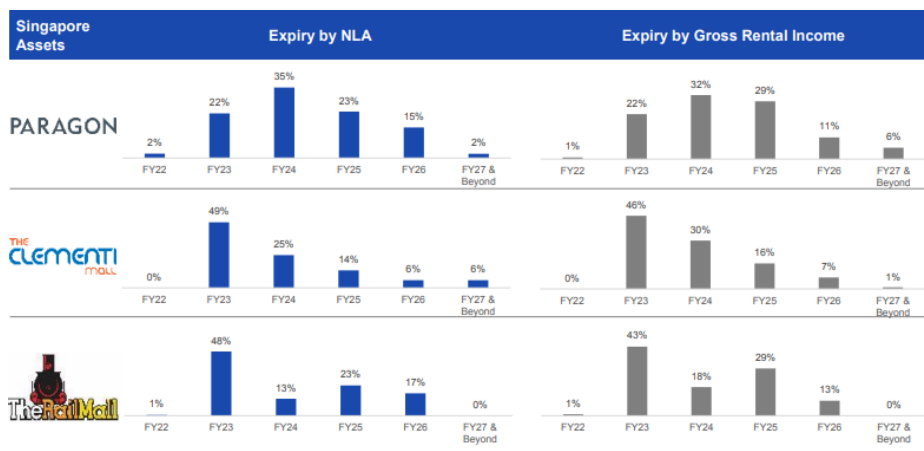
Exhibit 11: SPH REIT’s Portfolio Lease Expiry Profile (as at 31 May 2022)

Lease expiry as at 31 May 2022	FY22	FY23	FY24	FY25	FY26	FY27 & beyond
SPH REIT Portfolio						
Expiries as a % of total NLA	7.1%	14.9%	16.0%	11.3%	6.5%	44.2%
Expiries as a % of Gross rental income	15.2%	15.3%	17.0%	14.0%	5.9%	32.6%
Singapore assets						
Expiries as a % of total NLA	1.7%	29.0%	31.9%	21.2%	13.4%	2.8%
Expiries as a % of Gross rental income	0.7%	27.3%	31.1%	26.3%	10.1%	4.5%
Australia assets						
Expiries as a % of total NLA	10.2%	6.9%	7.0%	5.7%	2.5%	67.7%
Expiries as a % of Gross rental income	17.3%	13.6%	15.0%	12.3%	5.4%	36.4%

Source: SPH REIT

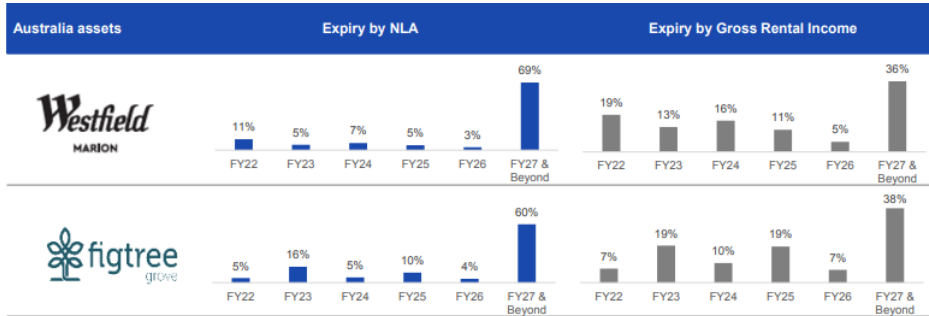
The breakdown of SPH REIT Singapore and Australia assets’ lease expiry profile are shown in **Exhibit 12** and **Exhibit 13** respectively, on the next page.

Exhibit 12: SPH REIT Singapore Assets’ Lease Expiry Profile (as at 31 May 2022)



Source: SPH REIT

Exhibit 13: SPH REIT Australia Assets' Lease Expiry Profile (as at 31 May 2022)



Source: SPH REIT

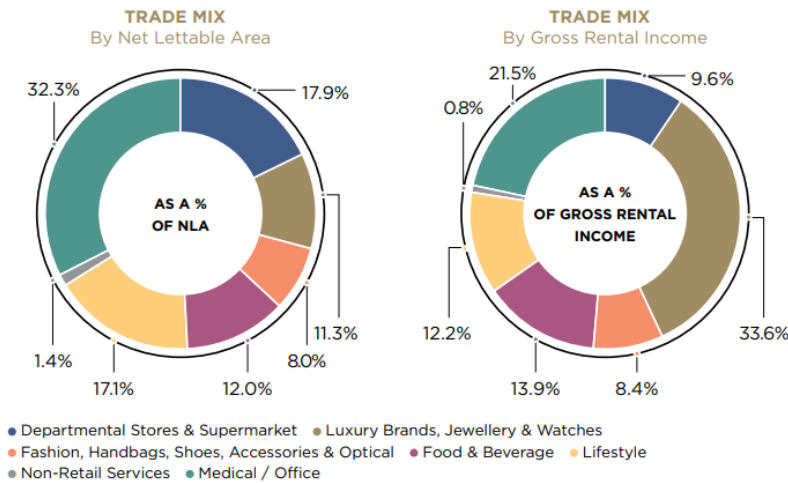
SPH REIT's Portfolio

(a) Singapore

Paragon, a premier upscale retail mall and medical suite/office property located in the heart of Orchard Road, Singapore's premier shopping and tourist precinct. Paragon consists of a six-storey retail podium and one basement level with 494,807 sq ft of retail NLA (Paragon Mall), with a 14-storey tower and another three-storey tower sitting on top of the retail podium with a total of 223,098 sq ft of medical suite/offices net lettable area (NLA). It is a 99-year leasehold interest that commenced on 24 July 2013.

Paragon's trade mix by NLA and gross rental income (GRI) of Paragon is shown in **Exhibit 14**.

Exhibit 14: Paragon's Trade Mix by NLA and GRI as at 31 August 2021

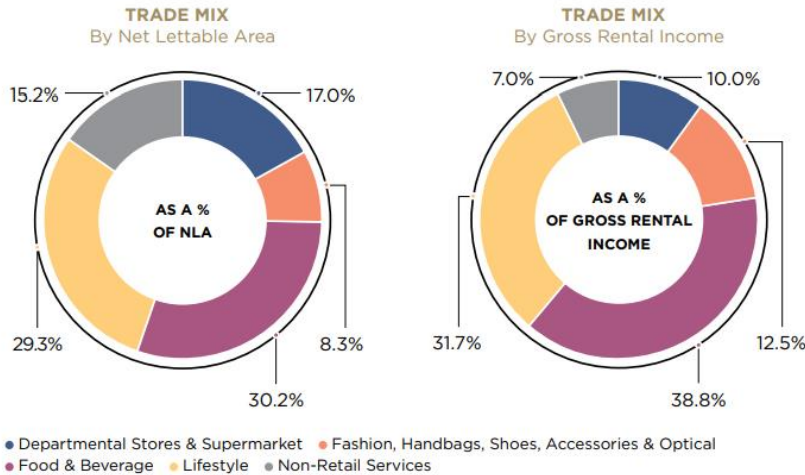


Source: SPH REIT

The Clementi Mall, a mid-market suburban mall located in the centre of Clementi Town, with excellent frontage to residential estates in the west of Singapore and is well-connected to expressways and the rest of the island. The retail mall with 195,283 sq ft of retail NLA also houses a public library, and is part of an integrated mixed use development that includes Housing & Development Board (HDB) residential blocks and a bus interchange. The property is directly linked to the Clementi Mass Rapid Transit (MRT) station. It is a 99-year leasehold interest that commenced on 31 August 2010

The Clementi Mall's trade mix by NLA and gross rental income (GRI) of Paragon is shown in **Exhibit 15** on the next page.

Exhibit 15: The Clementi Mall's Trade Mix by NLA and GRI as at 31 August 2021

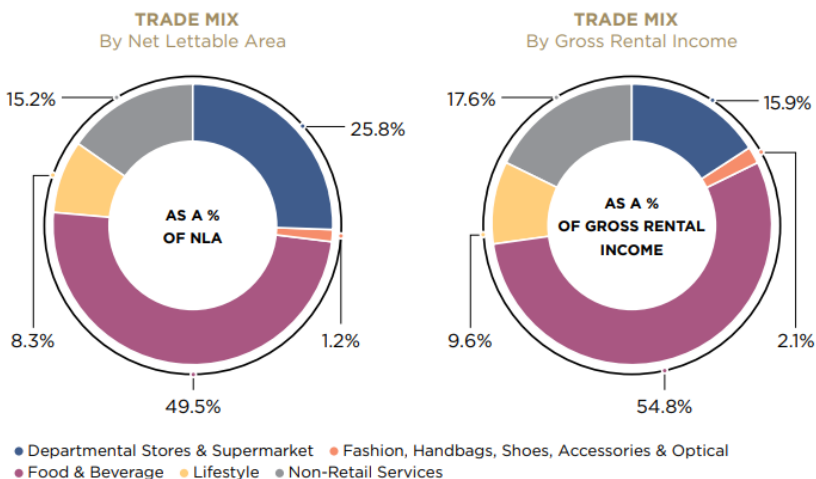


Source: SPH REIT

The Rail Mall, a retail strip with 360-metre prominent road frontage to Upper Bukit Timah Road, comprises a trade mix including a supermarket, dining options and medical services to serve the different needs of residents and visitors. It is well-served by the Hillview MRT station, which is about 250 metres from the mall, as well as a network of public bus services. Accessibility is further enhanced by its proximity to the Bukit Timah Expressway (BKE) and Pan Island Expressway (PIE). It is a 99-year leasehold interest that commenced on 18 March 1947. One of the key access points to the Rail Corridor is located within a short walking distance from The Rail Mall. It has a NLA of 49,767 sq ft.

The Rail Mall's trade mix by NLA and gross rental income (GRI) of Paragon is shown in **Exhibit 16**.

Exhibit 16: The Rail Mall's Trade Mix by NLA and GRI as at 31 August 2021



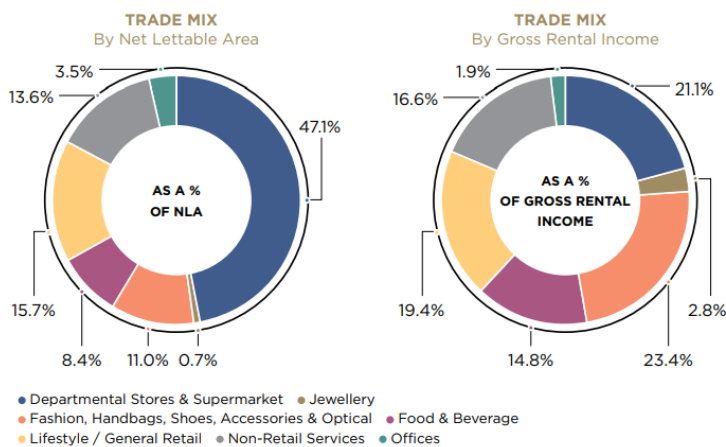
Source: SPH REIT

(b) Australia

Westfield Marion Shopping Centre, a freehold shopping centre in Adelaide, South Australia in which SPH REIT has a 50.0% stake in ownership. It is the largest and only super regional shopping centre in South Australia. Strategically located approximately 10 km south-west of Adelaide’s Central Business District (CBD), it is in a highly accessible location which is bound by three major thoroughfares and arterial roads in Diagonal Road, Sturt Road and Morphett Road, extending greater access to shoppers beyond its usual catchment. The shopping centre offers large and well segmented precincts of entertainment, fresh food, and dining; supported by a high quality tenant base of leading national retailers. The property has an aggregate gross lettable area (GLA) of 1,485,243 sq ft.

Westfield Marion Shopping Centre’s trade mix by NLA and gross rental income (GRI) of Paragon is shown in **Exhibit 17**.

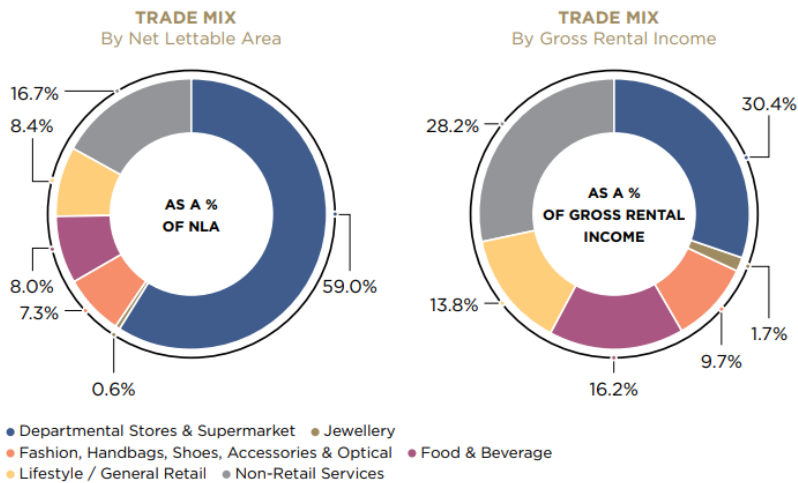
Exhibit 17: Westfield Marion Shopping Centre’s Trade Mix by NLA and GRI as at 31 August 2021



Source: SPH REIT

Figtree Grove Shopping Centre, an established freehold sub-regional shopping centre in Wollongong, New South Wales Australia, in which SPH REIT has a 85.0% stake in ownership. Located approximately 3 km south-west of Wollongong and approximately 85 km south-west of Sydney CBD, the property is situated at the north-eastern corner of the Princes Highway and The Avenue – major thoroughfares which carry traffic between Wollongong Central Business District and the wider Wollongong area. The shopping centre houses two major supermarkets, specialty stores, and a variety of services, F&B dining options and other retailers providing convenience and necessity to residents. The property has an aggregate GLA of 236,558 sq ft.

Figtree Grove Shopping Centre’s trade mix by NLA and gross rental income (GRI) of Paragon is shown in **Exhibit 18** on the next page

Exhibit 18: Figtree Grove Shopping Centre's Trade Mix by NLA and GRI as at 31 August 2021

Source: SPH REIT

(VI) Geographical Revenue Contribution

SPH REIT has two reportable revenue segments, which are Singapore and Australia. In the full year ended 31 August 2021, Singapore remained as SPH REIT's largest revenue contributor, contributing 74.6% of its total revenue while Australia contributed 25.4% as shown in **Exhibit 19**.

However, we also note that the acquisition of the 50% interest in Westfield Marion was completed in December 2019. Hence, Australia's revenue contribution for FY2020 and FY2021 is higher due to the 9 months and 12 months revenue contribution from Westfield Marion respectively.

Exhibit 19: SPH REIT's Geographical Revenue Breakdown

S\$'000	FY2019		FY2020		FY2021	
	Revenue	Contribution (%)	Revenue	Contribution (%)	Revenue	Contribution (%)
Singapore	217,188	95.0%	188,080	77.9%	206,894	74.6%
Australia	11,447	5.0%	53,383	22.1%	70,285	25.4%
Total	228,635	100.0%	241,463	100.0%	277,179	100.0%

Source: SPH REIT

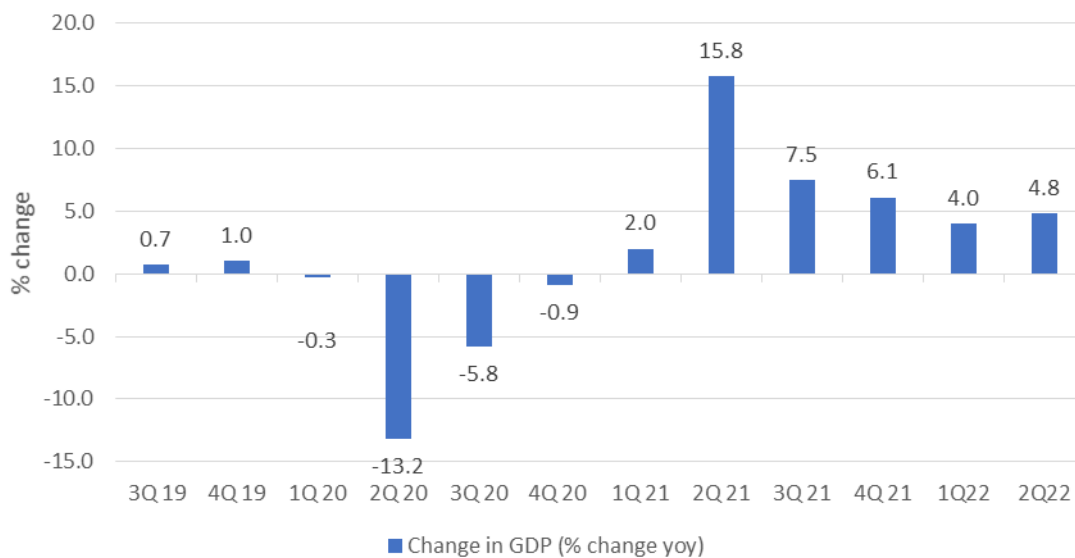
INDUSTRY OUTLOOK

(I) Singapore Retail

Singapore's Economy

The Ministry of Trade and Industry (MTI) reported that, based on advance estimates, the Singapore economy grew by 4.8% on a year-on-year (yoy) basis in the second quarter of 2022, extending the 4.0% growth in the preceding quarter as shown in **Exhibit 20**. On a quarter-on-quarter (qoq) seasonally-adjusted basis, GDP was unchanged in the second quarter, after posting an expansion of 0.9% in the first quarter.

Exhibit 20: Change in Singapore Quarterly GDP (% change yoy)



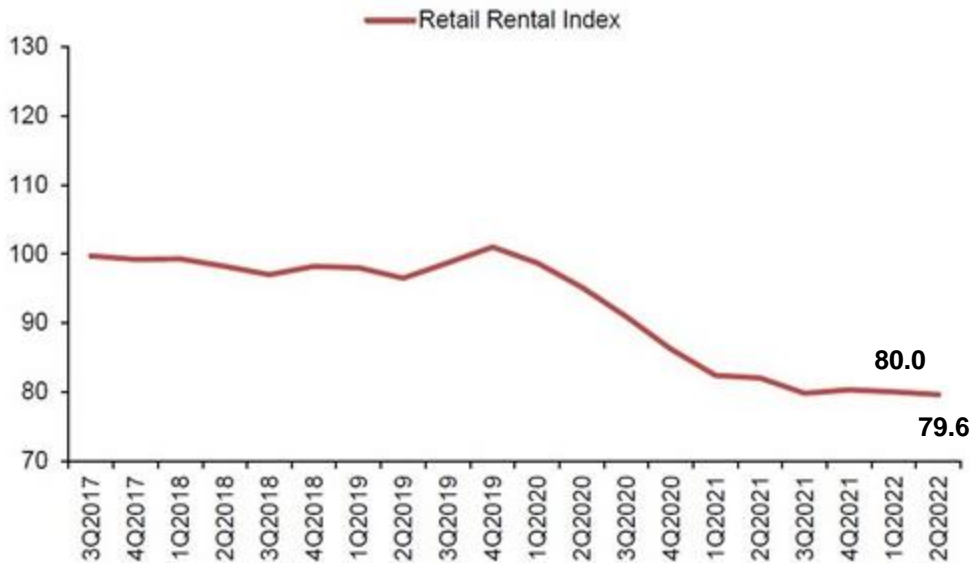
Source: Data compiled from MTI

MTI noted in its 2Q2022 Economic Survey of Singapore that the external demand outlook for the Singapore economy has weakened compared to three months ago. At the same time, downside risks in the global economy such as inflation and persistent supply chain disruptions remain significant. Domestically, Singapore has transited to living with Covid-19 and removed almost all pandemic curbs, supporting the recovery of economic segments that had been hard-hit by the pandemic. The ministry expects a softer outlook for some outward-oriented sectors, including chemicals, wholesale trade, water transport, and finance and insurance, given China's weak economic outlook as well as a projected slowdown in major external economies. On the other hand, the aviation- and tourism-related sectors are expected to continue to see improvement due to the strong recovery in air passengers and international visitor arrivals. The easing of travel restrictions has also bolstered the recovery of the professional services sector as firms can now better engage overseas clients. Considering the above, MTI narrowed Singapore's GDP growth to 3.0% to 4.0% from 3.0% to 5.0% in 2022.

Singapore's Retail Real Estate Market

According to data from the Urban Redevelopment Authority (URA), rentals of retail space decreased by 0.5% qoq in 2Q2022, compared with the 0.4% decrease in the previous quarter, as reflected by the decrease in Retail Rental Index to 79.6 from 80.0, as shown in **Exhibit 21**. Further, the median rental (\$ psf pm) based on lease commencement and contract date in the Orchard Planning Area are S\$8.37 and S\$8.17 respectively.

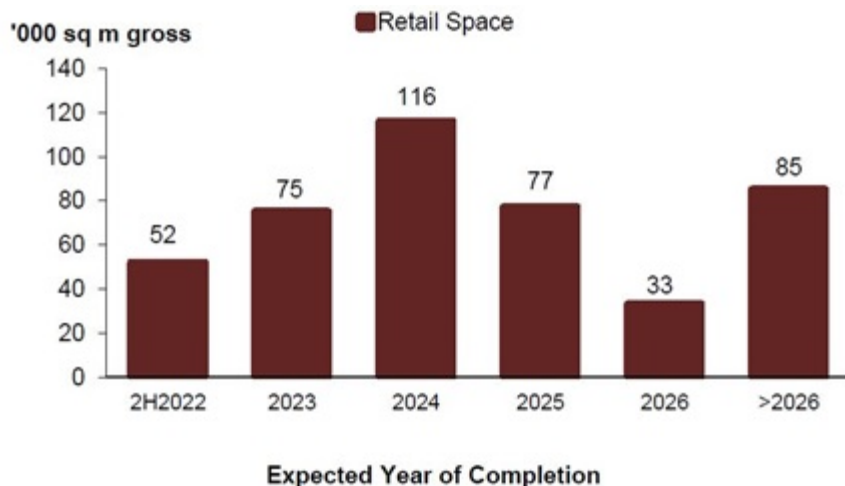
Exhibit 21: Rental Index of Retail Space in Central Region)



Source: URA

According to URA, as at the end of 2Q2022, there was a total supply of 438,000 sq m GFA of retail space from projects in the pipeline, compared with the 415,000 sq m GFA of retail space in the pipeline in the previous quarter. Of which, 52,000 sq m and 75,000 sq m are expected to be complete in 2H2022 and 2023 as shown in **Exhibit 22**.

Exhibit 22: Pipeline Supply Of Retail Space



Source: URA

URA noted that the amount of occupied retail space increased by 8,000 sq m (nett) in 2Q2022, compared with the decrease of 12,000 sqm m (nett) in the previous quarter. The stock of retail space increased by 1,000 sq m (nett) in 2Q2022, same as that in the previous quarter. As a result, the island-wide vacancy rate of retail space decreased to 8.2% as at the end of 2Q2022, from 8.3% as at the end of the previous quarter as shown in **Exhibit 23**.

Exhibit 23: Stock and Vacancy of Retail Space



Source: URA

CBRE noted that retail indicators continued to improve alongside the easing of border restrictions and measures for dine-in, entertainment and social events. Leasing activity remained stable in 2Q2022. More pop-up stores opened in the quarter, featuring collaborations and experiential concepts. F&B operators continued to drive demand, while supermarkets and gyms expanded their presence. Although borders have reopened and visitor arrivals have seen a sharp increase, retailers are cautiously optimistic about an eventual return of tourist spending in view of uncertain economic growth and rising inflation. As such, prime retail rents for Orchard Road, City Hall/Marina Centre and Fringe areas remained stable in 2Q2022. Meanwhile, the suburban market continued to register healthy reversionary rents as availability remains extremely limited. In terms of outlook, CBRE highlighted that while domestic and travel restrictions have eased and shopper traffic has improved, retailers are now facing manpower shortage as well as rising input costs, putting a lid to landlords' capacity to raise rents in the near term. Nonetheless, with below-historical average new retail supply in the next few years, CBRE Research expects a more meaningful retail rent recovery after 2H2022.

Knight Frank noted that the implementation of the Vaccinated Travel Framework (VTF) and the removal of restrictions have been a long-awaited boon for retailers. The pick-up in tourists' inflow contributed to the rise in footfall in 2Q2022, injecting life into the shopping district which was deprived of pedestrian traffic during the pandemic years. As such, prime retail rents in Orchard Road increased 0.5% to S\$28.00 psf pm in 2Q2022. In terms of outlook, Knight Frank believes that as rentals bottomed out in the second quarter, a broad-based recovery is on the cards for Singapore's retail sector. With tourism being a priority focus for the city-state, and its move towards sustainability complementing its City in Nature identity, retailers are likely to benefit in the near future. And despite the looming uncertainty of a possible recession, Singapore remains a key destination for many tourists and major events such as the Singapore Grand Prix in September. Growth in the retail market is projected for the remaining half of the year as Singapore transitions to normalcy, and prime retail rentals could post a growth of 2% to 4% for the whole of 2022.

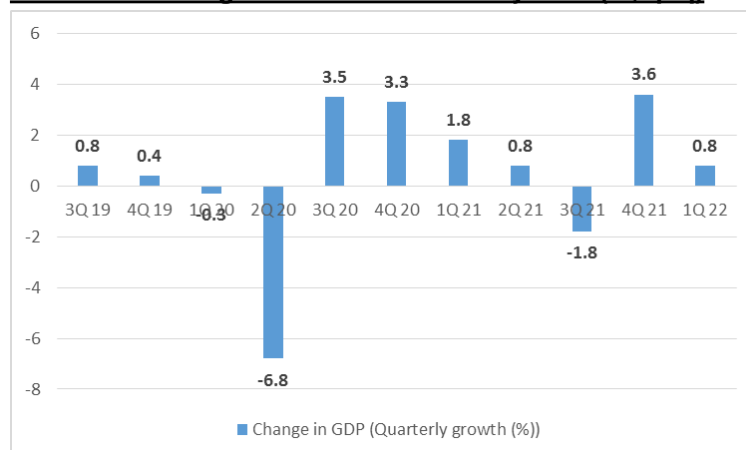
Based on Colliers' basket of retail malls, prime retail rents in both suburban and Orchard exhibited growth of 0.7% and 0.6%, respectively q-o-q in Q2 2022, compared with 0.7% and 0.4% in Q1 2022. Leasing demand in Q2 2022 was healthy, supported by the expansion of a mix of retail trades such as athleisure, daily necessities as well as F&B. In addition, several pop-up stores have opened during the quarter, featuring special thematic offerings, multi-sensorial immersive experiences and big brand collaborations. In terms of outlook, with the easing of domestic pandemic and travel restrictions, footfall to malls and tenant sales have shown firmer signs of picking up. However, retailers will face headwinds such as manpower shortages and higher operating costs arising from inflationary pressure and supply chain disruptions. Higher interest rates and the prospect of a possible recession could reduce discretionary income and prompt consumers to tighten their wallets, thus curtailing retail spending. Colliers believes that prime retail is unlikely to see a full recovery until tourist numbers recover to pre-pandemic levels, and until travel restrictions in North Asia are lifted. According to the International Air Transport Association (IATA), that will only happen by 2023. One saving grace for the retail market is that upcoming new retail supply is expected to be muted; the average new retail supply in the next few years is approximately 30% of the historical 10-year average, with no new supply for prime retail. As such, this could lend support to a more meaningful improvement in rents and occupancies in the coming quarters.

Cushman & Wakefield noted that Orchard and Suburban prime retail rents increased by 1.5% qoq and 1.3% qoq respectively in 2Q2022 supported by improving market sentiments on the back of significant easing of safe management measures and recovering tourism. Other City Areas prime retail rents also edged up by 1.2% qoq in 2Q2022 as more workers returned to the office. Given the reopening of borders and prevalence of hybrid work, the Orchard and Suburban retail markets are poised to lead rental growth this year with a 3%-4% yoy increase. Cushman & Wakefield believes that retailers will continue to show healthy appetite for retail space. In addition, given China's zero Covid policy, Cushman & Wakefield anticipates more retail demand from new to market Chinese brands that look to expand overseas and diversify their operations. However, Cushman & Wakefield also noted that manpower shortages, persistent inflationary pressures and food supply disruptions are increasing operating costs and would particularly impact food beverage (F&B) retailers who are key in driving retail demand. Some retailers may not be able to fully pass on higher costs as consumers become increasingly price sensitive. Higher mortgage rates may lead to lower consumer discretionary incomes and lower retail spend/ The reopening of borders may also divert some consumer spending overseas, offsetting part of the gains from higher inbound tourism.

(II) Australia Retail

Australia's real GDP increased by 0.8% in 1Q22 as shown in **Exhibit 24**. Growth slowed significantly from the previous quarter (3.6%), largely due to the disruption caused by the Omicron variant of Covid-19 and floods across Queensland and New South Wales. Although economy conditions remain volatile, on an annualised basis economic growth in Australia is strong at 3.3%.

Exhibit 24: Change in Australia Quarterly GDP (% qoq)



Source: Data compiled from Australia Bureau of Statistic

According to Australia Bureau of Statistic, household consumption remained resilient and contributed 0.8% to GDP growth. However, the household savings rate has declined further to 11.4%. Lower savings and 'stickier' inflation should translate into a moderation in household consumption going forward. Inventories were the largest contributor to 1Q22 GDP, adding 1.0% pts to growth in the quarter.

Jones Lang LaSalle (JLL) highlighted that retail conditions are mixed and many headwinds remain for the sector. Lockdowns have ceased across Australia and the direct effects of the pandemic on consumer spending have subsided. However, this reluctance to spend has been replaced with stickier inflation and lower savings rates that have begun to act as headwinds for the sector. Consumers are once again conscious of their spending behaviour, which is likely to have a sustained impact on discretionary spending. Small retailers have also felt the effect of recent extreme weather and flooding across much of the east coast. The recovery across the retail property sector has been segmented, with neighbourhood and sub-regional activity picking up from December 2021. Meanwhile, retail in the CBD has continued to struggle with lower footfall as a result of workplaces adopting working-from home approaches. The larger effect of this is expected to subside over 2022, yet is likely to still be lower than pre-pandemic.

Colliers noted that Australia's regional rents remain stable, with no movement over the quarter across the major markets. Encouragingly, Melbourne continues to see green shoots of recovery, as rents remain stable as footfall to regional malls stabilises closer to pre-pandemic levels. Pressure continues to be slanted towards new leases as opposed to renewals and well-located 'Super Regionals' are seeing rents hold firm. Incentive levels have increased across all markets as owners continue to look to fill vacancies quickly with intense competition for retailers evident.

The summary of Collier's Regional Shopping Centre Indicators is shown in **Exhibit 25**.

Exhibit 25: Collier's Australia Regional Shopping Centre Indicators

Submarket	Average Gross Face Rents (\$/sqm p.a.)		Average Incentives	Average Yields	
	Low	High	Average	Low	High
Regional					
Sydney	\$1,350	\$1,750	23.00%	4.35%	6.25%
Melbourne	\$1,300	\$1,750	26.00%	4.50%	6.50%
Brisbane	\$1,300	\$1,400	27.00%	4.75%	6.25%
Perth	\$637	\$1,159	22.00%	5.35%	6.50%
Adelaide	\$903	\$1,615	24.00%	5.50%	6.50%

Source: Colliers Research

CBRE noted that the enquiry levels for flagship locations in Australian CBDs from luxury occupiers has picked up significantly to begin 2022. Multiple luxury brands have recently committed to new flagship boutiques in response to the increased appetite for high-end luxury retail from Australian consumers. There has also been an increased interest for large format F&B tenancies in response to the need for consumer experience. Enquiry is largely being driven by a need for well positioned F&B amenity in key precincts to provide a destination retailer to entice further increase in overall visitation. Quality locations are key as consumer behaviours are continually evolving towards a more high-quality focused demand. Super prime CBD yields have compressed in Perth and Adelaide since June 2021, tightening by 80bps (to 5.34%) and 38bps (to 4.25%) respectively. These market have been buoyed by a number of international retailers that are already established in East Coast Markets looking to open new stores in Adelaide and Perth.

RECENT SHARE PRICE DEVELOPMENT

In the past year, SPH REIT's share price rose by 5.03% from S\$0.895 on 13 August 2021 to S\$0.940 on 12 August 2022 as shown in **Exhibit 26**.

Exhibit 26: SPH REIT's 1 Year Share Price Performance



Source: Yahoo Finance, FPA Financial

On 20 September 2021, SPH REIT announced that it has been included into the FTSE EPRA Nareit Global Real Estate Index ⁽¹⁾ (Global Developed Index). This inclusion into a benchmark REIT index raises SPH REIT's visibility amongst global investors, improves its trading liquidity, and offers the potential to significantly expand its investor base. SPH REIT believes that this inclusion will strengthen its position to capitalise on the upcoming economic recovery and capture attractive accretive growth opportunities. SPH REIT's share price rose by 2.17% from S\$0.920 to end the week at S\$0.940.

On 4 October 2021, SPH REIT announced its full year financial statement for the year ended 31 August 2021 and reported 11.4% yoy increase in net property income. At the same time, SPH REIT's distribution per unit (DPU) for FY2021 amounted to 5.40 Singapore Cents, representing a 98.5% yoy increase in DPU. SPH REIT's share price rose by 4.30% from S\$0.930 to end the week at S\$0.970.

On 29 October 2021, SPH REIT requested for a trading halt quoting the pending release of an announcement as the reason. SPH REIT resumed trading on 1 November 2021 and announced that subjected to the finalisation of the terms of the by way of a scheme of arrangement (Possible Scheme) of the acquisition of Singapore Press Holdings (SPH) by Cuscaden, the completion of the Possible Scheme will result in Cuscaden incurring an obligation to undertake a chain offer for all the units in SPH REIT. The minimum chain offer price which consortium Cuscaden Peak will have to offer for each SPH REIT- if its acquisition bid for SPH succeeds - is S\$0.964, fully in cash. Following the announcement, SPH REIT's share price rose by 6.67% from S\$0.975 to S\$1.04.

(1) The FTSE EPRA Nareit Global Real Estate Index Series is developed by FTSE Russell together with the European Public Real Estate Association ("EPRA") and the National Association of Real Estate Investment Trusts ("Nareit"). The index series tracks the performance of listed real estate companies and real estate investment trusts worldwide, and is seen as the leading benchmark for listed real estate investments.

On 12 December 2021, SPH REIT released Cuscaden Responses to Questions from Securities Investors Association (Singapore) (SIAS). In the announcement, Cuscaden clarified that the minimum offer price for the SPH REIT Chain Offer, if and when made, will be S\$0.964 fully in cash for each SPH REIT Unit. Cuscaden will not be obliged to offer a higher price than S\$0.964 per SPH REIT Unit. SPH REIT's share price fell by 2.03% from S\$0.985 to S\$0.965.

On 29 April 2022, SPH REIT announced that Cuscaden intends to exercise its right to reduce the Minimum Chain Offer Price by the aggregate of the 1QFY2022 Distribution and the 2QFY2022 Distribution. The new offer price of S\$0.9372 is 3.9% below SPH Reit's last traded price (Apr 28), of S\$0.975. It is also 2.8% below SPH Reit's daily volume-weighted average price (VWAP). As a result, SPH REIT's share price fell by 3.08% from S\$0.975 to S\$0.945.

On 30 June 2022, SPH REIT announced that Cuscaden has received valid acceptances of the Chain Offer in respect of an aggregate of 402,882,246 Offer Units, representing approximately 14.36% of the total issued SPH REIT Units and that the Chain Offer has closed. As a result, Cuscaden owns approximately 61.61% of the maximum potential issued SPH REIT Units. SPH REIT's share price fell by 5.35% from S\$0.935 on 30 June 2022 to S\$0.885 on 6 July 2022.

On 7 July 2022, SPH announced its key business and operational updates and reported a 0.9% yoy increase in gross revenue and a 5.1% yoy increase in DPU for 3Q2022. SPH REIT also maintained high occupancy rate of 97.6% across the diversified portfolio. SPH REIT's share price rose by 5.08% from S\$0.885 to S\$0.930.

FINANCIAL ANALYSIS

In this section, we will provide a review of SPH REIT's financial performance and capital management.

(I) Financial Review

Review of Half Year 2022 Results

For the half year ended 28 February 2022 (1H2022), SPH REIT recorded a gross revenue of S\$141.6 million. This represents a 1.2% increase from the S\$140.0 million gross revenue recorded for the half year ended 28 February 2021 (1H2021). The increase was mainly due to gradual market recovery. In Singapore, post the relaxing of dine-in restrictions from two to five persons in late November 21, sales recovered steadily to exceed FY2021 levels in December 21 and January 22. However, the high number Covid-19 cases in February 22, with over 25,000 cases a day at its peak, disrupted the recovery and sales in the month ended up lower yoy. In Australia, Westfield Marion was largely unaffected by Covid-19 up until December 2021 when South Australia saw a spike in cases of up to 9,000 daily in January 22 which led to a decline in tenant sales by about 9%. Since then, February 22 sales has recovered yoy. 1H2022 sales increased approximately 1% yoy.

Meanwhile, property operating expenses increased by 3.6% yoy from S\$35.1 million in 1H2021 to S\$36.4 million in 1H2022 mainly due to the increase in utilities rates. Consequently, net property income increased by 0.4% from S\$104.9 million in 1H2021 to S\$105.3 million in 1H2022

For 1H2022, Manager's management fees, Investment management fees and Trustee's fees remained relatively stable. Manager's management fees increased by 0.1% to S\$10.4 million, Investment management fees decreased by 2.5% to S\$1.4 million and trustee fees decreased by 0.3% to S\$0.297 million. Impairment loss on trade receivables decreased by 19.8% due to lower allowance for rental arrears and reliefs for Singapore and Australia properties. Other trust expenses increased by 14.3% mainly due to higher professional fees paid. In addition, SPH REIT recorded a fair value gain on investment properties of S\$32.1 million in 1H2022 compared to a fair value loss of S\$8.4 million in 1H2021.

As a result, SPH REIT reported a total return before taxes and distribution of S\$112.8 million in 1H2022 compared to S\$69.9 million in 1H2021. For the period, income tax expense of S\$0.804 million was recorded compared to S\$0.221 million a year ago. After adjusting for income tax expense, total return after taxes and before distribution of S\$112.0 million was recorded in 1H2022. This comprised of S\$105.5 million to unitholders of the Trust, S\$6.1 million to perpetual securities holders and S\$0.327 million to non-controlling interests. Accordingly, SPH REIT reported an earnings per unit of 3.77 cents for 1H2022.

SPH REIT's 1H2022 and 1H2021 financial results are summarised in **Exhibit 27** on the next page.

Exhibit 27: SPH REIT's 1H2022 and 1H2021 Financial Results

S\$'000	1H2022	1H2021	y-o-y change
Gross revenue	141,636	139,958	1.2%
Property operating expenses	(36,363)	(35,104)	-3.6%
Net property income	105,273	104,854	0.4%
<i>Net property income margin</i>	<i>74.3%</i>	<i>74.9%</i>	<i>NM</i>
Manager's management fees	(10,446)	(10,433)	-0.1%
Investment Management fees	(1,416)	(1,453)	2.5%
Trustee's fees	(297)	(298)	0.3%
Impairment loss on trade receivables	(1,517)	(1,892)	19.8%
Other trust expenses	(1,072)	(938)	-14.3%
Finance income	238	69	244.9%
Finance cost	(10,706)	(11,856)	9.7%
Grant income	-	2,903	-
Grant expense	-	(2,903)	-
Net income	80,057	78,053	2.6%
Fair value change on investment properties	32,078	(8,438)	NM
Net foreign currency exchange differences	640	334	91.6%
Total return before taxes and distribution	112,775	69,949	61%
Less: income tax	(804)	(221)	-264%
Total return after taxes and before distribution	111,971	69,728	60.6%
Attributable to:			
Unitholders of the Trust	105,545	63,108	67.2%
Perpetual securities holders	6,099	6,098	0.0%
non-controlling interests	327	522	-37.4%
Earnings per unit (cents)	3.77	2.27	66.1%

Source: SPH REIT

Meanwhile, after accounting for amount reserved for distribution to perpetual securities holders and non-tax deductible item, income available for distribution amounted to S\$82.6 million. SPH REIT's distribution policy is to distribute at least 90% of its specified taxable income, comprising rental and other property related income from its business of property letting, interest income and top-up payments from income support and after deducting allowable expenses and applicable tax allowances. The actual level of distribution will be determined at the Manager's discretion, taking into consideration the Trust's capital management and funding requirements. Accordingly, the distribution to unitholders amounted to S\$75.1 million in 1H2022. Taking into consideration the total number of units in issue, SPH REIT's distribution per unit increased from 2.43 cents in 1H2021 to 2.68 cents in 1H2022 as shown in **Exhibit 28** on the next page.

Exhibit 28: SPH REIT's 1H2022 and 1H2021 Statement of Distribution

S\$'000	1H2022	1H2021	y-o-y change
Total return for the period attributable to Unitholders and perpetual securities holders	111,644	69,206	61.3%
Less: Amount reserved for distribution to perpetual securities holders	(6,099)	(6,098)	0.0%
Add: Non-tax deductible item	(22,931)	6,924	NM
Income available for distribution	82,614	70,032	18.0%
Add: Tax-exempt income	-	6,149	
Distributable income to unitholders	82,614	76,181	8.4%
Distribution to Unitholders	75,105	67,764	10.8%
Total number of units in issue	2,802,406	2,785,164	0.6%
Distribution per unit	2.68	2.43	10.2%

Source: SPH REIT

Review of Historical Financials

We also reviewed SPH REIT's historical financial results to evaluate how it has performed prior to the Covid-19 pandemic. We note that SPH REIT's gross revenue has generally increased over the years. SPH REIT completed a 50% interest acquisition of Westfield Marion (Australia property) in December 2019. Hence, SPH REIT's gross revenue for FY2020 and FY2021 is higher due to the 9 months and 12 months revenue contribution from Westfield Marion respectively.

Meanwhile, we also note that other than FY2020, SPH REIT's recorded positive returns after taxes and before distribution. Total loss of S\$64.0 million for FY2020 was mainly because of the fair value loss on investment properties of S\$179.9 million. The Singapore investment properties recorded a fair value loss of S\$126.0 million, and the Australia investment properties fair value loss was S\$53.9 million. However, we note that the fair value loss has no impact on the income available for distribution.

Further, we also note that over the past 5 years, other than in FY2020 where SPH REIT declared a distribution per unit of 2.72 cents, SPH REIT's distribution per unit has maintained relatively stable at between 5.40 cents and 5.54 cents. Based on SPH REIT's closing unit price as at 31 August between FY2017 and FY2021, SPH REIT has a distribution yield of between 3.1% and 6.0%.

We have summarized SPH REIT's historical financial figures in **Exhibit 29**.

Exhibit 29: SPH REIT's Historical Financial Figures (FY2017-FY2021)

S\$'000	FY2017	FY2018	FY2019	FY2020	FY2021
Gross revenue	212,756	211,802	228,635	241,463	277,179
Net property income	168,088	165,996	179,779	181,943	202,627
Total return/ (loss) after taxes and before distribution	157,156	137,856	148,821	(59,979)	152,088
Earnings per unit (cents)*	4.95	4.82	4.97	3.77	4.86
Distribution per unit (cents)	5.53	5.54	5.60	2.72	5.40
Closing price as at 31 August	1.00	1.00	1.09**	0.87	0.91
Distribution yield (%)	5.5%	5.5%	5.1%	3.1%	6.0%

*Excluding fair value change and write down of intangible asset

**Closing price as at 30.8.19

Source: SPH REIT, Yahoo Finance, FPA Financial

(II) Capital ManagementNet Asset Value

SPH REIT reported total assets of S\$4,280.7 million as at 28 February 2022 compared to S\$4,246.6 million as at 31 August 2021. The increase in total assets was mainly attributable to the fair value gain in its investment properties. At the same time, total liabilities decreased to S\$1,389.1 million as at 28 February 2022 from S\$1,398.7 million as at 31 August 2021 mainly due to lower derivative financial instruments and lower trade and other payables.

Consequently, SPH REIT recorded total equity/ net assets of S\$2,891.5 million as at 28 February 2022 compared to S\$2,847.9 million as at 31 August 2021. Of which, the net assets represented by Unitholders' fund amounted to S\$2,579.0 million as at 28 February 2022. Accordingly, SPH REIT's net asset value (NAV) per unit stood at S\$0.92 based on 2.802 billion units in issue.

A summary of SPH REIT's balance sheet as at 28 February 2022 and 31 August 2021 is shown in **Exhibit 30**.

Exhibit 30: Summary of SPH REIT's Balance Sheet

S\$'000	28-Feb-22	31-Aug-21
Total assets	4,280,658	4,246,565
Total liabilities	1,389,128	1,398,697
Total equity/ net assets	2,891,530	2,847,868
Net assets represented by Unitholders' fund	2,578,970	2,535,243
Units in issue ('000)	2,802,406	2,785,164
Net asset value per unit (S\$)	0.92	0.91

Source: SPH REIT

Borrowings

We note that SPH REIT's net borrowings remained relatively unchanged from 31 August 2021 to 28 February 2022. SPH REIT's secured term loan amounted to S\$1,293.5 million as at 28 February 2022 as shown in **Exhibit 31**. This consist of a term loan of S\$995 million secured by way of a first legal mortgage on Paragon, a term loan of A\$105 million secured by way of mortgage on Figtree Grove Shopping Centre and a term loan of A\$200 million secured by way of mortgage on SPH REIT's 50% interest in Westfield Marion Shopping Centre.

Exhibit 31: SPH REIT's Net Borrowings as at 28 February 2022

S\$'000	28-Feb-22	31-Aug-21
Secured term loan	1,295,151	1,295,029
less: Unamortised transaction costs	(1,666)	(1,975)
Net borrowings	1,293,485	1,293,054

Source: SPH REIT

In addition we also note that certain loan facility agreements of SPH REIT contain clauses that upon occurrence of certain events such as (i) Singapore Press Holdings Limited, the sponsor of SPH REIT (Sponsor), does not or ceases to hold (direct or indirectly) at least 30% of the Trust's units or (ii) the Sponsor does not or ceases to hold (direct or indirectly) 100% of the issued and fully paid ordinary shares in the Manager or (iii) SPH REIT Management Pte. Ltd. ceases to be the manager of SPH REIT or (iii) the Trust is delisted or ceases to be a collective investment scheme, would lead to an event of default where outstanding borrowings (including accrued interests) will be immediately due and payable and total commitments cancelled.

Gearing Ratio and Debt Maturity Profile

SPH REIT's gearing ratio as computed by net debt divided by total assets, stood at approximately 30.1% as at the end of 1H2022 compared to 30.3% as at the end of FY2021. A breakdown of SPH REIT's total debt and gearing ratio is shown in **Exhibit 32**.

Exhibit 32: SPH REIT's Gearing Ratio for 1H2022 and FY2021

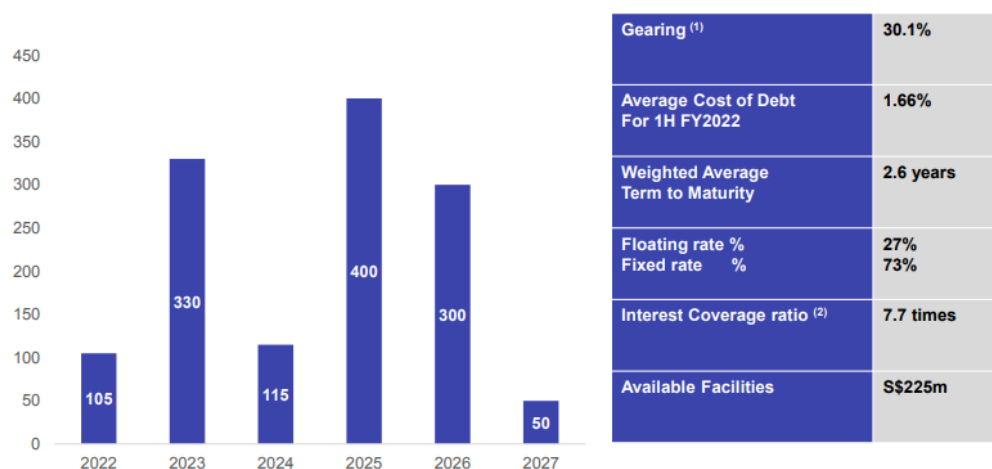
S\$'000	28-Feb-22	31-Aug-21
Net debt	1,293,485	1,293,054
Total assets	4,280,658	4,246,565
Gearing ⁽¹⁾	30.1%	30.3%

(1) Figures may differ due to rounding differences

Further, approximately 27% of its debt is on a floating rate while 73% is on a fixed rate basis, which could help to mitigate the potential impact of interest rate fluctuations. The average cost of debt for SPH REIT's debt was 1.66% per annum. In addition, of SPH REIT's S\$1.3 billion borrowings, S\$105 million are repayable in 2022 and S\$330 million are repayable in 2023. The weighted average term to maturity of SPH REIT's borrowings is 2.6 years.

The summary of SPH REIT's debt maturity profile for its total debt is shown in **Exhibit 33**.

Exhibit 33: SPH REIT's Debt Maturity Profile as at 28 February 2022



Source: SPH REIT

POTENTIAL CATALYSTS

(I) Potential Recovery in Retail Rents

As highlighted in the 'Industry Overview' section recent retail indicator suggest that Singapore retail market could be set for a recovery going forward. Overall, implementation of the Vaccinated Travel Framework (VTF) and the removal of restrictions have been a long-awaited boon for retailers and have contributed to the rise in footfall in 2Q2022. Furthermore, with the relaxation of measures for dine-in, entertainment and social events, footfall to malls and tenant sales have shown firmer signs of picking up. We believe this should provide greater confidence to the recovery of SPH REIT's financial performance going forward. Barring another severe global virus resurgence, more Vaccinated Travel Lanes (VTL) may open up and with higher international visitor arrival, tourism receipts would also improve. Hence, it could result in a more meaningful retail rent recovery and a stronger financial performance for SPH REIT in 2H2022 and in FY2023.

(II) Possibility of a Sale of Properties

It was recently reported on Straits Times that CapitaLand Integrated Commercial Trust (CICT) and Link Real Estate Investment Trust (Link REIT) are among bidders vying for NTUC Enterprise Co-operative's \$4 billion portfolio of shopping malls in Singapore. And Mercatus Co-operative (Mercatus), a unit of NTUC that holds the properties, is working with a financial adviser on the potential sale. It was also reported that CICT was sounding out sources of financing for the prospective transaction, while Hong Kong's Link Reit was working with an adviser on a potential bid. In addition, Mercatus's assets are also drawing interest from other players in Singapore, including Frasers Property and Far East Hospitality Trust.

Given that other real estate companies and REITs are interested in acquiring shopping malls in Singapore, we believe that there is a possibility that SPH REIT could consider divesting its assets should it receive an attractive bid. Should there be a sale of its properties, it would allow SPH REIT to realise significant gains on its assets and distribute the proceeds to its unitholders.

FINANCIAL PROJECTION

In this section, we will be providing our projections for SPH REIT's revenue, earnings and distribution for FY2022 and FY2023.

On 29 July 2022, SPH REIT announced that it is changing its financial year end from 31 August to 31 December. Therefore, the current financial year will be a 16-month period from 1 September 2021 to 31 December 2022. Thereafter, SPH REIT's financial year will be a 12-month period ending on 31 December each year.

The reason for the change in financial year-end is for its financial year end to correspond with the financial year end of the Manager and of its sponsor. In connection with the proposed acquisition by Cuscaden Peak Pte. Ltd. of all the issued and paid-up ordinary shares in the capital of its sponsor by way of a scheme of arrangement which was approved by shareholders of Cuscaden on 22 March 2022, the financial year-end of Cuscaden and its subsidiaries (including the Manager) has been changed from 31 August to 31 December to be in line with Cuscaden's financial year-end.

There will be no change in the frequency and timing of distributions to Unitholders which will be made no later than 90 days after the end of each financial quarter, save for the distribution for the additional period in SPH REIT's current financial year which shall stretch over a four-month period from 1 September 2022 to 31 December 2022.

(I) Revenue Projection

FY2022

Singapore

As shown on **Exhibit 5**, SPH REIT's Singapore assets are Paragon, The Clementi Mall and The Rail Mall. To determine each properties' rent (S\$/ sqft per month), we considered the individual property's revenue, net lettable area (NLA), occupancy and ownership interest. Accordingly, the estimated rent for Paragon, The Clementi Mall and the Rail Mall for 1H2022 would be S\$19.61, S\$18.31 and S\$9.67 respectively as shown in **Exhibit 34**. The calculations are as follows:

- Estimated rent for Paragon = S\$83.1 million (1H2022 actual revenue) / 715,000 (NLA) / 98.80% (occupancy rate) / 100% (ownership interest)/ 6 (period) = S\$19.61
- Estimated rent for The Clementi mall = S\$21.4 million (1H2022 actual revenue) / 195,000 (NLA) / 99.90% (occupancy rate) / 100% (ownership interest)/ 6 (period) = S\$18.31
- Estimated rent for The Rail Mall = S\$2.9 million (1H2022 actual revenue) / 50,000 (NLA) / 100.00% (occupancy rate) / 100% (ownership interest)/ 6 (period) = S\$9.67

Exhibit 34: Estimated Rent for Singapore's Properties

Property	1H2022					
	Revenue (S\$ million) ⁽¹⁾	NLA (sq ft)	Occupancy	Period (months)	Ownership (%)	Rent (S\$/sq ft per month)
Paragon	83.1	715,000	98.80%	6	100%	19.61
The Clementi Mall	21.4	195,000	99.90%	6	100%	18.31
The Rail Mall	2.9	50,000	100.00%	6	100%	9.67

(1) Revenue is net of rental relief to tenants

Source: SPH REIT, FPA Financial

As highlighted in the 'Industry Overview' section, various commercial real estate services companies believe that there would be a recovery in Singapore retail industry as supported by improving market sentiments on the back of significant easing of safe management measures and recovering tourism. Knight Frank projected growth of 2%-4% and Cushman & Wakefield projected growth of 3%-4%. In our projections, we would assume the rent of SPH REIT's Singapore properties to increase by 3% for 2H2022. Hence, the projected rent for each of the properties are as follows:

- Projected rent (S\$/sq ft per month) for Paragon = S\$19.61 (projected rent in 1H2022) x 103% (projected growth rate) = S\$20.19
- Projected rent (S\$/sq ft per month) for The Clementi Mall = S\$18.31 (projected rent in 1H2022) x 103% (projected growth rate) = S\$18.86
- Projected rent (S\$/sq ft per month) for The Rail Mall= S\$9.67 (projected rent in 1H2022) x 103% (projected growth rate) = S\$9.96

We would also assume the occupancy rate to remain the same for 2H2022 as compared to 1H2022. Accordingly, the projected revenue for SPH REIT's Singapore properties is S\$184.4 million as shown in **Exhibit 35**. The calculations are as follows:

- Projected revenue for Paragon = S\$20.19 (projected rent) x 715,000 (NLA) x 98.80% (occupancy rate) x 10 (months) = S\$142.7 million
- Projected revenue for The Clementi mall = S\$18.86 (projected rent) x 195,000 (NLA) x 99.90% (occupancy rate) x 10 (months) = S\$36.7 million
- Projected revenue for The Rail Mall = S\$9.96 (projected rent) x 50,000 (NLA) x 100.00% (occupancy rate) x 10 (months) = S\$5.0 million

Exhibit 35: Projected SPH REIT's Singapore Revenue for 2H2022

Property	2H2022				
	Rent (S\$/sq ft per month)	NLA (sq ft)	Occupancy	Period (months)	Revenue (S\$'000)
Paragon	20.19	715,000	98.80%	10	142,655
The Clementi Mall	18.86	195,000	99.90%	10	36,737
The Rail Mall	9.96	50,000	100%	10	4,978
Total gross revenue	-	-	-	-	184,370

Source: SPH REIT, FPA Financial

Australia

As shown on **Exhibit 5**, SPH REIT's Australia assets are Figtree Glove and Westfield Marion. To determine each properties' rent (S\$/ sqft per month), we considered the individual property's revenue, net lettable area (NLA), occupancy and ownership interest. Accordingly, the estimated rent for Figtree Glove and Westfield Marion for 1H2022 would be S\$6.80 and S\$6.02 respectively as shown in **Exhibit 36**. The calculations are as follows:

- Estimated rent for Figtree Glove = S\$8.1 million (1H2022 actual revenue) / 236,000 (NLA) / 99.00% (occupancy rate) / 85% (ownership interest)/ 6 (period) = S\$6.80
- Estimated rent for Westfield = S\$26.1 million (1H2022 actual revenue) / 1,475,000 (NLA) / 98.00% (occupancy rate) / 50% (ownership interest)/ 6 (period) = S\$6.02

Exhibit 36: Estimated Rent for Australia's Properties

Property	1H2022					
	Revenue (S\$ million) ⁽¹⁾	NLA (sq ft)	Occupancy	Period (months)	Ownership (%)	Rent (S\$/sq ft per month)
Figtree Glove	8.1	236,000	99.00%	6	85%	6.80
Westfield Marion	26.1	1,475,000	98.00%	6	50%	6.02

(1) Revenue is net of rental relief to tenants

Source: SPH REIT, FPA Financial

As highlighted in the 'Industry Overview' section, various commercial real estate services companies highlighted that Australia's retail conditions are mixed and regional rents remain stable. Considering the above, in our projections, we would assume the rent of each of SPH REIT's Australia properties to remain unchanged for 2H2022. Similarly, we would also assume the occupancy rate to remain the same for 2H2022 as compared to 1H2022. Accordingly, the projected revenue for SPH REIT's Australia properties is S\$57.0 million as shown in **Exhibit 37**. Assuming the AUDSGD exchange rate remains unchanged, the calculations are as follows:

- Projected revenue for Figtree Glove = S\$6.80 (projected rent) x 236,000 (NLA) x 99.00% (occupancy rate) x 10 (months) = S\$13.5 million
- Projected revenue for Westfield Marion = S\$6.02 (projected rent) x 1,475,000 (NLA) x 98.00% (occupancy rate) x 10 (months) = S\$43.5 million

Exhibit 37: Projected SPH REIT's Australia Revenue for 2H2022

Property	2H2022					
	Rent (S\$/sq ft per month)	NLA (sq ft)	Occupancy	Period (months)	Ownership (%)	Revenue (S\$'000)
Figtree Glove	6.80	236,000	99.00%	10	85%	13,500
Westfield Marion	6.02	1,475,000	98.00%	10	50%	43,500
Total gross revenue	-	-	-	-	-	57,000

Source: SPH REIT, FPA Financial

Given the above, our projected revenue for FY2022 is S\$383.0 million as follows:

- SPH REIT revenue for FY2022 = S\$141.6 million (1H2022 actual) + S\$184.4 million (projected Singapore 2H2022) + S\$57.0 million (projected Australia 2H2022)

FY2023

With the easing of safe management restrictions for FY2023, more people are able to congregate in bigger groups. This would result in more consumer spending, which bode well for retail sales. Additionally, we believe a stronger retail recovery is likely in FY2023 due to more flexibility in border reopening and allowing for a significant increase in visitor arrivals as global vaccination rates improve and international travel recovers.

According to International Monetary Fund (IMF), Singapore's GDP is expected to grow by 2.60% in 2023. Meanwhile, according to the Reserve Bank of Australia, Australia's GDP growth is expected to be 2.75% in 2023. Considering the above, we would project SPH REIT's revenue based on the GDP forecast for Singapore and Australia by IMF and Reserve Bank of Australia respectively. As a result, the projected revenue for SPH REIT for FY2023 would be S\$294.8 million as follows:

- Projected revenue for Paragon for FY2023 = 12/16 (adjustment to 12 months) x S\$225.8 million (projected FY2022 revenue) x 102.60% (projected growth rate) = S\$173.7 million
- Projected revenue for The Clementi mall for FY2023 = 12/16 (adjustment to 12 months) x S\$58.1 million (projected FY2022 revenue) x 102.60% (projected growth rate) = S\$44.7 million
- Projected revenue for The Rail Mall for FY2023 = 12/16 (adjustment to 12 months) x S\$7.9 million (projected FY2022 revenue) x 102.60% (projected growth rate) = S\$6.1 million
- Projected revenue for Figtree Glove for FY2023 = 12/16 (adjustment to 12 months) x S\$21.6 million (projected FY2022 revenue) x 102.75% (projected growth rate) = S\$16.6 million
- Projected revenue for Westfield Marion for FY2023 = 12/16 (adjustment to 12 months) x S\$69.6 million (projected FY2022 revenue) x 102.75% (projected growth rate) = S\$53.6 million

Our projected revenue for FY2022 and FY2023 are summarized in **Exhibit 38**.

Exhibit 38: Projected Revenue for FY2022 and FY2023

S\$'000	Actual	Forecast		
	1H2022	2H2022	FY2022	FY2023
Paragon	83,100	142,655	225,755	173,718
The Clementi Mall	21,400	36,737	58,137	44,736
The Rail Mall	2,900	4,978	7,878	6,062
Figtree Glove	8,100	13,500	21,600	16,646
Westfield Marion	26,100	43,500	69,600	53,636
Total gross revenue ⁽¹⁾	141,636	241,370	383,006	294,798

(1) Figures may differ due to rounding differences

Source: SPH REIT, FPA Financial

(II) Earnings Projection

Given our projected revenue figures for FY2022 and FY2023, we will now estimate SPH REIT's earnings for these periods.

Net Property Income

For our net property income (NPI) projections, we will consider SPH REIT's historical NPI margins. We note that SPH REIT's NPI margin remained relatively stable between 73.1% and 75.4% between FY2020 and 1H2022. For 2H2022 and FY2023, we would assume the same NPI margin of 74.3% as recorded in 1H2022. Accordingly, the projected NPI for FY2022 and FY2023 would be S\$284.7 million and S\$219.1 million as shown in **Exhibit 39**.

Exhibit 39: Projected Net Property Income for FY2022 and FY2023

S\$'000	Actual			Forecast		
	FY2020	FY2021	1H2022	2H2022	FY2022	FY2023
Gross revenue	241,463	277,179	141,636	241,370	383,006	294,798
Property operating expenses	(59,520)	(74,552)	(36,363)	(61,968)	(98,331)	(75,685)
Net property income (NPI)	181,943	202,627	105,273	179,402	284,675	219,113
NPI margin	75.4%	73.1%	74.3%	74.3%	74.3%	74.3%

Source: SPH REIT, FPA Financial

Manager's Management Fees, Trustee's Fees and Investment Management Fees

The Manager is entitled to management fees comprising of a Base fee of 0.25% per annum of the value of Deposited Property and an annual Performance fee of 5.0% per annum of the Net Property Income. The management fees payable to the Manager will be paid in the form of cash and/or units.

As SPH REIT has not released any plans or announcement of any potential acquisition or divestment, for FY2022 and FY2023, we will assume the deposited properties of SPH REIT to be S\$4,280.7 million, which is the total assets of SPH REIT as at 28 February 2022.

Given the deposited properties of SPH REIT to be S\$4,280.7 million the projected Manager's management fee would be as follows:

- Projected Manager's management fee for 2H2022 = (0.25% (base fee) x S\$4,280.7 million (deposited properties) x 10/12 (months)) + (5.0% (performance fee) x S\$179.4 million (projected NPI for 2H2022)) = S\$17.9 million
- Projected Manager's management fee for FY2022 = S\$10.4 million (1H2022 actual) + S\$17.9 million (2H2022 projected) = S\$28.3 million
- Projected Manager's management fee for FY2023 = (0.25% (base fee) x S\$4,280.7 million (deposited properties) + (5.0% (performance fee) x S\$219.1 million (projected NPI for FY2023)) = S\$21.7 million

Meanwhile, accordingly to SPH REIT, the Trustee's fee shall not exceed 0.1% per annum of the value of the Deposited Property (subject to a minimum of \$15,000 per month) and shall be payable out of the Deposited Property monthly in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed. We note that SPH REIT's Trustee's fees as percentage of Deposited Property remained approximately between 0.013% and 0.014% between FY2019 and FY2021 as shown in **Exhibit 40**. In our Trustee fees projections, we would assume 0.014% as the Trustee fees as % of Deposited Property for FY2022 and FY2023.

Given the deposited properties of SPH REIT to be S\$4,280.7 million the projected Trustee's fee would be as follows:

- Projected Trustee's fee for FY2022 = 0.014% x S\$4,280.7 million x 16/12 (months) = S\$0.8 million
- Projected Trustee's fee for FY2023 = 0.014% x S\$4,280.7 million = S\$0.6 million

Exhibit 40: Projected Trustee's Fees for FY2022 and FY2023

S\$'000	Actual			Forecast	
	FY2019	FY2020	FY2021	FY2022	FY2023
Trustee fees	(520)	(585)	(600)	(806)	(605)
Deposited Property (Total assets)	3,948,402	4,240,663	4,246,565	4,280,658	4,280,658
Trustee fees as % of Deposited Property	0.013%	0.014%	0.014%	0.014%	0.014%

Source: SPH REIT, FPA Financial

We note that SPH REIT's investment management fees was S\$3.0 million in FY2021 and S\$1.4 million in 1H2022. As we do not have sufficient information to appropriately estimate SPH REIT's investment management fees, we would assume the same investment management fees of S\$1.4 million as recorded in 1H2022 for the next 6 months of 2H2022. However, as 2H2022 would be for a period of 10 months, the adjusted investment management fees forecast for 2H2022 would be S\$2.4 million = [S\$1.4 million x (1H2022) x 10/6 (months)] We would also assume for the investment management fees to remain unchanged in FY2023 from FY2022 for the 12 months period as shown in **Exhibit 41**.

Exhibit 41: Projected Investment Management Fees For FY2022 and FY2023

S\$'000	Actual		Forecast		
	FY2021	1H2022	2H2022	FY2022	FY2023
Investment Management fees	(2,950)	(1,416)	(2,360)	(3,776)	(2,832)

Source: SPH REIT, FPA Financial

The summary of SPH REIT's Manager's Management Fees, Trustee's Fees and Investment Management Fees is shown in **Exhibit 42**.

Exhibit 42: Projected SPH REIT's Manager's Management Fees, Trustee's Fees and Investment Management Fees for FY2022 and FY2023

S\$'000	Actual			Forecast	
	FY2021	1H2022	2H2022	FY2022	FY2023
Manager's management fees	(20,434)	(10,446)	(17,888)	(28,334)	(21,657)
Investment Management fees	(2,950)	(1,416)	(2,360)	(3,776)	(2,832)
Trustee fees	(600)	(297)	(509)	(806)	(605)

Source: SPH REIT, FPA Financial

Impairment loss on trade receivables

As mentioned on page 25, SPH REIT recorded an impairment loss on trade receivables of S\$1.5 million in 1H2022 compared to S\$1.9 million in 1H2021. The impairment loss on trade receivables comprises of the allowance for rental arrears and reliefs for Singapore and Australia properties. For both 2H2022 and FY2023, we would assume no impairment loss on trade receivables.

Other Trust expenses

As mentioned on page 25, other trust expenses amounted to S\$1.1 million in 1H2022 compared to S\$0.9 million in 1H2021. Other trust expenses comprise of audit fees and professional fees. For 2H2022, we would assume the same S\$1.1 million in other trust expenses. We would assume the same amount for FY2023 from FY2022 of S\$2.1 million.

Finance Income and Finance Cost

As shown in **Exhibit 33**, SPH REIT's total borrowings were S\$1.3 billion and the average cost of debt for 1H2022 was 1.66%. In addition, we also note that approximately 73% of its total debt is on a fixed rate basis. Further, as shown in **Exhibit 33**, S\$105 million and S\$330 million of debt is set to mature in 2022 and 2023 respectively. However, we note that as at 28 February 2022, SPH REIT's cash and cash equivalents amounted to S\$109.6 million. Hence, we believe that SPH REIT is likely to refinance their debt of S\$105 million and S\$330 million when it matures in 2022 and 2023 respectively. Considering the above, the estimated total borrowings for FY2022 and FY2023 would remain at S\$1.3 billion.

According to Monetary Authority of Singapore (MAS), the average Singapore's SGS 10-year bond yield for 2021 was 1.52% while the average 10-year bond yield for the first 8 months of 2022 was 2.43%. The average Singapore's SGS 10-year bond yield for the first 8 months of 2022 increased by 0.91 percentage points (ppts) versus the average yield for 2021 as shown in **Exhibit 43**.

Exhibit 43: Singapore SGS 10-Year Bond Yield

FY2021	10-year bond yield (%)	FY2022	10-year bond yield (%)
Jan-21	1.00%	Jan-22	1.77%
Feb-21	1.33%	Feb-22	1.90%
Mar-21	1.74%	Mar-22	2.34%
Apr-21	1.59%	Apr-22	2.35%
May-21	1.48%	May-22	2.71%
Jun-21	1.58%	Jun-22	2.98%
Jul-21	1.30%	Jul-22	2.66%
Aug-21	1.41%	Aug-22 ⁽¹⁾	2.70%
Sep-21	1.59%		
Oct-21	1.84%		
Nov-21	1.70%		
Dec-21	1.67%		
Average	1.52%	Average	2.43%

(1) As at 8 August 2022

Source: MAS, FPA Financial

Considering that the SGS 10-year bond yield increased by 0.91ppts in the first 8 months of 2022 from 2021, we would assume the increase in SGS 10-year bond yield as a proxy for the increase in effective interest rate for 2H2022. Accordingly, the effective interest rate for 2H2022 would be 2.57% = [1.66% (1H2022) + 0.91%]. For FY2023, there is a possibility of a potential slowdown in both economic growth and the rate of increase of interest rate. Hence, we would assume the effective interest rate to increase by another 0.91ppts in FY2023. Accordingly, the effective interest rate for FY2023 would be 3.47% = [2.57% (projected 2H2022) + 0.91%].

Accordingly, the projected interest paid/ payable to banks for 2H2022 and FY2023 would be S\$20.5 million and S\$27.8 million respectively as shown in **Exhibit 44**.

Exhibit 44: Projected Finance Cost for 2H2022 and FY2023

S\$'000	Total debt	Fixed rate debt (73%)	Float rate debt (27%)	Fixed cost of debt (%)	Variable cost of debt (%)	Period (months)	Finance cost		
							Fixed	Variable	Total
2H2022	1,293,485	944,244	349,241	1.66%	2.57%	10	13,062	7,471	20,533
FY2023	1,293,485	944,244	349,241	1.66%	3.47%	12	15,674	12,133	27,808

Source: SPH REIT, FPA Financial

For our finance income projections, we would consider Singapore Overnight Rate Average (SORA) as a proxy. We note that the SORA as at 28 February 2022 was 0.4876% and the finance income for 1H2022 was S\$0.238 million. Accordingly, the projected cash at bank would amount to S\$97.6 million = [S\$0.238 million (half year finance income) / ((0.4876% / 2 (interest rate for half a year))]. We note that the SORA as at 8 August 2022 was 1.7915%. Hence, we would assume deposit rate for SPH REIT to be 1.7915% for 2H2022 and FY2023. Accordingly, the finance income would amount to S\$1.5 million for 2H2022 = [S\$97.6 million (projected cash at bank) x 1.7915% (projected deposit rate) x 10/12 (months)] and S\$1.7 million for FY2023 = [S\$97.6 million (projected cash at bank) x (projected deposit rate)].

The summary of our projected finance income and finance cost is shown in **Exhibit 45**.

Exhibit 45: Projected Finance Income and Finance Cost for FY2022 and FY2023

S\$'000	Actual			Forecast		
	FY2020	FY2021	1H2022	2H2022	FY2022	FY2023
Finance income	1,775	200	238	1,457	1,695	1,749
Finance cost	(32,905)	(23,994)	(10,706)	(20,533)	(31,239)	(27,808)

Source: SPH REIT, FPA Financial

Fair Value Change On Investment Properties

As shown on **Exhibit 27**, the increase in fair value change on investment properties to S\$32.1 million in 1H2022 from a decrease in fair value change on investment properties of S\$8.4 million was mainly due to the fair value gain in Singapore properties. For 2H2022 and FY2023, we would assume net change in fair value of investment properties to be zero.

Net foreign currency exchange differences

As shown on **Exhibit 27**, net foreign currency exchange differences increased from S\$0.3 million in 1H2021 to S\$0.6 million in 1H2022. For 2H2022 and FY2023 we would assume net foreign currency exchanges differences to be zero.

Total Return Before Taxes and Distribution

Given the above projections, we estimate a total return before taxes and distribution of S\$251.3 million in FY2022 and S\$165.8 million in FY2023 as shown in **Exhibit 46**.

Exhibit 46: Total Return Before Taxes and Distribution For FY2022 and FY2023

S\$'000	Actual	Forecast		
	1H2022	2H2022	FY2022	FY2023
Gross revenue	141,636	241,370	383,006	294,798
Property operating expenses	(36,363)	(61,968)	(98,331)	(75,685)
Net property income	105,273	179,402	284,675	219,113
Manager's management fees	(10,446)	(17,888)	(28,334)	(21,657)
Investment Management fees	(1,416)	(2,360)	(3,776)	(2,832)
Trustee's fees	(297)	(509)	(806)	(605)
Impairment loss on trade receivables	(1,517)	-	(1,517)	-
Other trust expenses	(1,072)	(1,072)	(2,144)	(2,144)
Finance income	238	1,457	1,695	1,749
Finance cost	(10,706)	(20,533)	(31,239)	(27,808)
Net income	80,057	138,496	218,553	165,816
Fair value change on investment properties	32,078	-	32,078	-
Net foreign currency exchange differences	640	-	640	-
Total return before taxes and distribution	112,775	138,496	251,271	165,816

Source: SPH REIT, FPA Financial

Income Tax

The Inland Revenue Authority of Singapore (IRAS) has issued a tax ruling on the income tax treatment of SPH REIT. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of its taxable income, SPH REIT will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

Given the above, we believe that SPH REIT's income tax expense may be attributable to the income generated from its Australia's property. We note that FY2022's 16 months Australia revenue contribution and FY2023's Australia 12 months contribution are comparable to FY2021's Australia revenue contribution as shown in **Exhibit 47**.

Exhibit 47: SPH REIT's Revenue Contribution

Revenue (S\$'000)	Actual			Forecast		
	FY2020	FY2021	1H2022	2H2022	FY2022	FY2023
Singapore	188,080	206,894	107,400	184,370	291,770	224,517
Australia	53,383	70,285	34,200	57,000	91,200	70,281

Source: SPH REIT, FPA Financial

Accordingly, we note that SPH REIT's effective tax rate for FY2021 and 1H2022 was 0.91% and 0.71% respectively. As we do not have sufficient information to appropriately estimate the effective tax rate, we would assume the effective tax rate of 0.91% recorded for FY2021 for 2H2022 and FY2023. As a result, the income tax for 2H2022, FY2022 and FY2023 would amount to S\$1.3 million, S\$2.1 million and S\$1.5 million as shown in **Exhibit 48**.

Exhibit 48: Projected Income Tax for FY2022 and FY2023

S\$'000	Actual			Forecast		
	FY2020	FY2021	1H2022	2H2022	FY2022	FY2023
Total return before taxes and distribution	(59,979)	153,485	112,775	138,496	251,271	165,816
Income tax	(4,045)	(1,397)	(804)	(1,261)	(2,065)	(1,509)
Effective tax rate	NM	0.91%	0.71%	0.91%	0.82%	0.91%

Source: SPH REIT, FPA Financial

Total return after taxes and before distribution

On 30 August 2019, SPH REIT issued S\$300.0 million of subordinated perpetual securities at a rate of 4.10% per annum, with the first distribution rate reset falling on 30 August 2024 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of SPH REIT in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.

Given the above, the total return after taxes and before distribution attributable to perpetual securities holders would amount to S\$10.3 million for 2H2022 = [S\$300.0 million x 4.10% x 10/12 (months)] and S\$12.3 million for FY2023 = [S\$300.0 million x 4.10%].

We note that profit attributable to non-controlling interest (NCI) for 1H2022 was S\$0.3 million. We would assume for NCI to remain unchanged at S\$0.3 million in 2H2022 and S\$0.6 million in FY2023. Accordingly, total return after taxes and before distribution attributable to unitholders of the Trust would amount to S\$232.2 million and S\$151.4 million for FY2022 and FY2023 respectively, as shown in **Exhibit 49** on the next page.

Exhibit 49: Projected Total Return After Taxes and Before Distribution for FY2022 and FY2023

S\$'000	Actual	Forecast		
	1H2022	2H2022	FY2022	FY2023
Gross revenue	141,636	241,370	383,006	294,798
Property operating expenses	(36,363)	(61,968)	(98,331)	(75,685)
Net property income	105,273	179,402	284,675	219,113
Manager's management fees	(10,446)	(17,888)	(28,334)	(21,657)
Investment Management fees	(1,416)	(2,360)	(3,776)	(2,832)
Trustee's fees	(297)	(509)	(806)	(605)
Impairment loss on trade receivables	(1,517)	-	(1,517)	-
Other trust expenses	(1,072)	(1,072)	(2,144)	(2,144)
Finance income	238	1,457	1,695	1,749
Finance cost	(10,706)	(20,533)	(31,239)	(27,808)
Net income	80,057	138,496	218,553	165,816
Fair value change on investment properties	32,078	-	32,078	-
Net foreign currency exchange differences	640	-	640	-
Total return before taxes and distribution	112,775	138,496	251,271	165,816
Less: income tax	(804)	(1,261)	(2,065)	(1,509)
Total return after taxes and before distribution	111,971	137,236	249,207	164,307
Attributable to:				
Unitholders of the Trust	105,545	126,659	232,204	151,353
Perpetual securities holders	6,099	10,250	16,349	12,300
non-controlling interests	327	327	654	654

Source: SPH REIT, FPA Financial

Earnings Per Unit

Earnings per unit is calculated by dividing the total return after taxes and before distribution attributable to Unitholders of the Trust by the weighted average number of units during the financial year. Assuming the latest available weighted average number of ordinary shares outstanding of 2,808,000 shares as at 29 July 2022, we projected an earnings per share of 8.28 cents and 5.39 cents for FY2022 and FY2023 as shown in **Exhibit 50**.

Exhibit 50: Projected Earnings Per Unit for FY2022 and FY2023

S\$'000	Actual	Forecast		
	1H2022	2H2022	FY2022	FY2023
Total return after taxes and before distribution attributable to Unitholders of the Trust	105,545	126,659	232,204	151,353
Weighted average number of Units ('000)	2,802,422	2,808,000	2,808,000	2,808,000
Earnings per Unit (cents)	3.77	4.51	8.28	5.39

Source: SPH REIT, FPA Financial

(III) Distributions Projection

With our projected total return after taxes and before distribution, we would now estimate SPH REIT's income available for distribution to unitholders. Following the adjustment to the amount reserved for distribution to perpetual securities holders, Manager's management fees payable in units and Trustee's fees, the projected distributable income to unitholders would be S\$260.7million and S\$173.6 million for FY2022 and FY2023 as shown in **Exhibit 51**.

We note that for 1H2022, the percentage distribution of income was 91%. For FY2022 and FY2023, we would also assume to pay 91% of the income available as distribution. Accordingly, distribution to unitholders amounted to S\$207.0 million and S\$157.8 million in FY2022 and FY2023 respectively, and the distribution per unit would be 7.38 cents and 5.62 cents respectively, as shown in **Exhibit 51**.

Exhibit 51: Projected Distribution for FY2022 and FY2023

S\$'000	Actual	Forecast		
	1H2022	2H2022	FY2022	FY2023
Total return for the period attributable to Unitholders and perpetual securities holders	111,644	136,909	248,553	163,653
Less: Amount reserved for distribution to perpetual securities holders	(6,099)	(10,250)	(16,349)	(12,300)
Add: Non-tax deductible item ⁽¹⁾	(22,931)	18,398	(4,533)	22,262
Income available for distribution	82,614	145,056	227,670	173,615
Add: Tax-exempt income	-	-	-	-
Distributable income to unitholders	82,614	145,056	227,670	173,615
Percentage distribution	91%	91%	91%	91%
Distribution to Unitholders	75,105	131,872	206,977	157,835
Total number of units in issue ('000)	2,802,406	2,808,000	2,808,000	2,808,000
Distribution per unit	2.68	4.70	7.38	5.62

(1) Includes Manager's management fees payable in units, Trustee's fees, Amortisation of upfront fee for loan facility, Fair value change on investment properties, Cost incurred to acquire subsidiaries and others

Source: SPH REIT, FPA Financial

VALUATION ANALYSIS

(I) Peer Comparison Analysis

We performed a peer comparison analysis to review how SPH REIT is faring against industry peers in terms of valuation metrics. We selected peer companies that are similar to SPH REIT in terms of industry and business operations and did a comparison by considering the peer's P/E, P/B and distribution yield. Considering the above, we selected Singapore listed REITs with exposure to Singapore retail properties. We have included the summary of the peer companies' corporate profile as follows:

(a) Frasers Centrepoint Trust

Frasers Centrepoint Trust is a Singapore-based developer sponsored retail real estate investment trust (REIT). The principal activity of the Company is to invest in income-producing properties used primarily for retail purposes, in Singapore and overseas, with the primary objective of delivering regular and stable distributions to unitholders and to achieve long-term capital growth. Its property portfolio comprises approximately nine retail malls and an office building located in the suburban regions of Singapore. The retail portfolio has approximately 2.2 million square feet of net lettable area with over 1,400 leases with a strong focus on providing necessity spending, food & beverage and essential services.

(b) Lendlease Global Commercial REIT

Lendlease Global Commercial REIT (LREIT) is a Singapore real estate investment trust established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for retail and/or office purposes. LREIT's portfolio comprise of properties in Singapore and Milan. LREIT has a total assets of S\$2.0 billion as at 31 December 2021.

(c) Starhill Global Real Estate Investment Trust

Starhill Global Real Estate Investment Trust (the Trust) is a real estate investment trust. Its principal activity is to invest primarily in prime real estate used mainly for retail and/or office purposes with the objective of delivering regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit. Starhill Global REIT has grown its initial portfolio from interests in two landmark properties on Orchard Road in Singapore to 10 properties in Singapore, Australia, Malaysia, China and Japan.

(d) Mapletree Commercial Trust

Mapletree Commercial Trust is a Singapore-focused real estate investment trust established with the principal investment objective of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate used primarily for office and/or retail purposes, whether wholly or partially, in Singapore, as well as real estate-related assets. Its portfolio includes five properties in Singapore and has a total Net Lettable Area (NLA) of 5.0 million square feet, valued at S\$8,821 million.

(e) Suntec Real Estate Investment Trust

Suntec Real Estate Investment Trust is a listed REIT in Singapore, owning income-producing real estate that is primarily used for office and/or retail purposes. Suntec REIT's portfolio comprises office and retail properties in Singapore, Australia and United Kingdom with an asset under management of approximately S\$12.1 billion and NLA of approximately 5.4 million sq ft.

The results of our peer comparison analysis are summarized in **Exhibit 52**.

Exhibit 51: Peer Comparison

Company	Stock code	Price as at 8 Aug 2022	Market cap (million)	EPU ⁽¹⁾ (cents)	P/E (x)	DPU ⁽¹⁾ (cents)	Distribution yield (%)	NAV per unit	P/B (x)
SPH REIT ⁽²⁾	SK6U	0.945	2,653.56	5.21	18.14	5.71	6.04	0.92	1.03
Peer companies:									
Frasers Centrepoint Trust ⁽³⁾	J69U	2.310	3,932.22	11.24	20.55	12.23	5.29	2.31	1.00
Lendlease Global Commercial REIT ⁽⁴⁾	JYEU	0.820	1,869.60	2.79	29.39	4.74	5.78	0.81	1.01
Starhill Global Real Estate Investment Trust ⁽⁵⁾	P40U	0.585	1,310.65	2.24	26.12	3.80	6.50	0.78	0.75
Mapletree Commercial Trust ⁽³⁾	N2IU	1.930	6,414.38	10.45	18.47	9.53	4.94	1.74	1.11
Suntec Real Estate Investment Trust ⁽⁵⁾	T82U	1.600	4,596.87	21.40	7.48	9.32	5.83	2.13	0.75
Peer average	-	-	-	-	20.40	-	5.67	-	0.92

Figures have been rounded

(1) Trailing 12-month data

(2) NAV as at 28.02.22

(3) NAV as at 31.03.22

(4) NAV as at 31.12.21

(5) NAV as at 30.06.22

Source: Respective company data, Yahoo Finance, FPA Financial

(a) P/B Multiple

Based on the results in **Exhibit 52**, we note that SPH REIT is currently trading at a P/B multiple of 1.02x, which is higher than the peer average P/B of 0.93x, which may suggest that it is overvalued at the current share price of S\$0.940. Adopting a relative valuation approach, we estimate a target price of S\$0.856 if SPH REIT were to trade at the peer average P/B multiple of 0.93x as follows:

➤ Estimated target price = [peer average P/B] x [SPH REIT's NAV per unit] = 0.93 x S\$0.92 = S\$0.856

The estimated target price of S\$0.856 would imply a downside potential of 8.94% from the current price of S\$0.940.

(b) P/E Multiple

Based on the results in **Exhibit 52** above, we note that SPH REIT is currently trading at a P/E multiple of 18.04x, which is lower than the peer average P/E of 20.54x, which may suggest that it is undervalued at the current share price of S\$0.940. Adopting a relative valuation approach, we estimate a target price of S\$1.070 as follows:

➤ Estimated target price = [peer average P/E] x [SPH REIT's EPS] = 20.54 x S\$0.0521 = S\$1.070

The estimated target price of S\$1.070 would imply an upside potential of 13.83% from the current price of S\$0.940.

(c) Distribution Yield

Furthermore, based on the results in **Exhibit 52** on the previous page, we note that SPH REIT's distribution yield of 6.07% is relatively more attractive than the peer average distribution yield of 5.63%. Adopting a relative valuation approach, we estimate a target price of S\$1.013 as follows:

- Estimated target price = [(SPH REIT's distribution yield/ peer average distribution yield) x SPH REIT's current price] = (6.07% / 5.63%) x S\$0.940 = S\$1.013

The estimated target price of S\$1.013 would imply an upside potential of 7.77% from the current price of S\$0.940.

(d) Estimated target price

Considering the above, SPH REIT is currently overvalued compared to its peers in terms of P/B but undervalued when compared in terms of P/E. In addition, SPH REIT is more attractive in terms of distribution yield. Adopting a relative valuation approach, we estimate a target price of S\$0.856, S\$1.070 and S\$1.013 based on the peer average P/B, P/E and distribution yield comparison analysis respectively. By taking the average of our estimated target price, we derived a target price of S\$0.980 as follows:

- Estimated target price = [(Estimated target price from P/B analysis + Estimated target price from distribution yield analysis) / 3] = (S\$0.856 + S\$1.070 + S\$1.013) / 3 = S\$0.980

The estimated target price of S\$0.980 would imply an upside potential of 4.26% from the current price of S\$0.940.

SWOT AND COMPETITIVE ANALYSIS

In this section, we undertake a SWOT analysis in **Exhibit 53** to evaluate the various components of the analysis thus far.

Exhibit 53: SWOT analysis

SWOT analysis

<u>Strengths</u> <ul style="list-style-type: none"> Stable financial track record Strong tenant base and mix 	<u>Weaknesses</u> <ul style="list-style-type: none"> Limited portfolio diversification
<u>Opportunities</u> <ul style="list-style-type: none"> Recovery in the tourism industry 	<u>Threats</u> <ul style="list-style-type: none"> Covid-19 resurgence Global economic slowdown

(I) Strengths

As highlighted in our review of SPH REIT's historical financial performance on page 27, we note that its profitability has increased over the last few years. This has allowed SPH REIT to provide stable distribution to its unitholders. Even in times of weaker financial performance, SPH REIT was able to maintain stable distribution over the last few years.

SPH REIT has a strong tenant base, which helps the company in establishing itself as a leading real estate company. Strong tenant base coupled with strong partnership relations provides a higher revenue source. As mentioned on page 12, in FY2021, top 10 tenants accounted for 20.6% of the company's gross rental income, which includes Burberry Singapore, Club 21, Cold Storage Singapore, Cortina Watch, Ermenegildo Zegna Far-East, Ferragamo Singapore, Metro, Prada Singapore, Wesfarmers, and Woolworths Group.

In addition, as noted on page 10, SPH REIT's tenant mix is also well diversified and relies on different trade sector for rental income. A well-diversified tenant mix can help SPH REIT to achieve a higher and stable cash flow amongst practicing tenants because services largely co-exist. It also helps to diversify the risk against market & industry fluctuations and is beneficial to the performance of SPH REIT's assets.

(II) Weaknesses

As mentioned on page 17, SPH REIT reported revenue of S\$277.2 million and S\$241.5 million for FY2021 and FY2020 respectively. However, SPH REIT is only exposed to the Singapore and Australia markets. In addition, as shown in **Exhibit 19**, Singapore contributed 74.6% and 77.9% of SPH REIT's revenue in FY2021 and FY2020 respectively. This makes it vulnerable to risks including macroeconomic factors prevailing in Singapore. As a result, SPH REIT is vulnerable to any potential risks related to Singapore's general regulatory, legal, economic, demographic, competitive and other conditions. Changes in any of these conditions may adversely impact the SPH REIT's financial performance. Hence, the lack of diversification may stifle SPH REIT's growth prospects and reduce its competitiveness.

(III) Opportunities

Singapore Tourism Board (STB) announced that with global travel picking up pace, Singapore expects to receive between 4 and 6 million visitors in 2022. In 2021, total contribution of travel & tourism to Singapore GDP was 3.9% representing S\$20.7bn. According to STB, in the first half of 2022, Singapore clocked 1.5 million visitor arrivals, nearly 12 times more compared to the same period in 2021 (119,000). Tourism receipts (TR) reached an estimated S\$1.3 billion in the first quarter of the year. While international visitor arrivals (IVA) and TR remain a fraction of Singapore's pre-pandemic numbers, STB remains of the view that Singapore's tourism flows will recover to pre-Covid levels by the mid-2020s.

In addition, Mr Keith Tan, Chief Executive, Singapore Tourism Board said, "The encouraging growth in visitor arrivals and tourism receipts signals strong pent-up demand, and underscores Singapore's continued appeal as a vibrant and attractive destination for leisure and business travellers. While the pandemic is certainly not over yet, we are confident that Singapore's very rich calendar of events, as well as new and refreshed tourism offerings, will continue to attract visitors for the rest of 2022 and beyond."

Given the above, we believe SPH REIT is likely to benefit from the positive outlook for the global travel and tourism industry as its portfolio of quality assets are well positioned to capture the upside when the market recovers.

(IV) Threats

The Covid-19 pandemic has affected countries globally. Governments around the world imposed numerous measures including international and domestic border closures, lockdowns, and movement controls, in varying degrees, in combating the spread of the virus. Notwithstanding the worldwide vaccination initiatives, which are progressing at varying rates, the unprecedented Covid-19 pandemic continues to impact retailers around the globe and key markets in Singapore and Australia have not been spared. Whilst there have been encouraging signs of improvement in SPH REIT's businesses, the uncertainties and negative factors brought about by Covid-19 is expected to linger for some time. SPH REIT's performance will be dependent on the effective control of potential resurgence of Covid-19 cases, with the relaxation of travel restrictions and re-opening of borders. In addition, the recent spike in Covid-19 cases in Singapore could dampen the economic recovery, derail government's plans to reopen its borders and affect the footfall in shopping malls, which could have a negative impact on sentiments and prices, and in thus the financial performance of SPH REIT.

Recent economic indicators suggest that the pace of recovery in major economies like the US and China has slowed. According to the International Monetary Fund's (IMF) latest World Economic Outlook (WEO) update, a tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide—especially in the United States and major European economies—triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting Covid-19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine.

The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could be harder to bring down than anticipated either if labor markets are tighter than expected or inflation expectations unanchor; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed Covid-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. IMF believes that a plausible alternative scenario in which risks materialize, inflation rises further, and global growth declines to about 2.6% and 2.0% in 2022 and 2023, respectively. The risk of a global economic slowdown could dampen retail sales and affect footfall in shopping malls and have a negative impact on SPH REIT's financial performance.

INVESTMENT RECOMMENDATION

Based on the reported NAV per unit of S\$0.92 as at 28 February 2022, SPH REIT is currently trading at a P/B of 1.02x. Our peer comparison analysis results show that SPH REIT's P/B of 1.02x is higher than the peer average P/B of 0.93x. We adopted a relative valuation approach to derive an estimated target price of S\$0.856 if SPH REIT were to trade at the peer average P/B of 0.93x

At the same time, based on SPH REIT's earnings per unit of 5.21 cents as at 28 February 2022, it currently has a P/E multiple of 18.04x. Our peer comparison analysis results show that SPH REIT's P/E of 18.04x is lower than the peer average P/E of 20.54x. Adopting a relative valuation approach, we estimate a target price of S\$1.070 if SPH REIT were to trade at the peer average P/E of 20.54x.

Furthermore, our peer comparison analysis results show that SPH REIT's distribution yield of 6.07% is relatively more attractive than the peer average distribution yield of 5.63%. Adopting a relative valuation approach, we estimate a target price of S\$1.013.

Taken together, by calculating the average of our estimated target price based on the P/B, P/E and distribution yield peer comparison analysis, we derived a target price of S\$0.980 = $[(S\$0.856 + S\$1.070 + S\$1.013) / 3]$.

In terms of financials, we note that SPH REIT has maintained a healthy set of financial results over the years and has managed to provide stable returns to its shareholders. Considering a potential recovery in Singapore's retail sector amid the implementation of the Vaccinated Travel Framework (VTF) and the removal of border restrictions & measures, we are expecting a stronger financial performance for SPH REIT for FY2022 and FY2023. This could provide some upside potential for SPH REIT.

Considering the above, we believe a neutral recommendation is warranted on SPH REIT. Our target price of S\$0.980 would represent a 4.26% upside from the current price of S\$0.940. However, there are still risks to our target price which we will highlight in the next section.

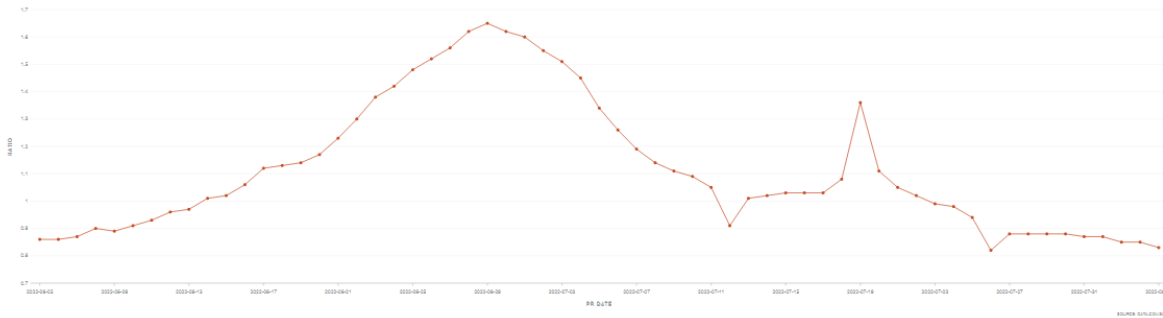
RISKS TO THE TARGET PRICE

In this section, we highlight below risk factors that may limit the potential upside to SPH REIT's target price.

(I) Weak Economic Recovery in Singapore

High vaccination rates, the loosening of safe management measures (SMM) and the gradual reopening of international borders have largely contributed to a gradual recovery in Singapore's economy. However, the rapid spread of the BA.4 and BA.5 omicron variant and threat of a new Omicron variant (BA.275) have increased the uncertainty about how the pandemic can be overcome. According to the Ministry of Health (MOH), the weekly growth rate of Covid-19 infections in Singapore remained below 1.0 since 23 July 2022 as shown in **Exhibit 54**. The rate refers to the ratio of community cases for the past week over those of the week before. A rate of below 1 shows that the number of new weekly Covid-19 cases is decreasing.

Exhibit 54: Singapore's Covid-19 Weekly Infection Growth Rate



Source: Data.gov.sg

However, Health Minister Ong Ye Kung recently mentioned that while Singapore's Covid-19 situation has stabilised, and even though 60% of Singapore residents have likely caught Covid-19 before, this does not mean the country now has "herd immunity". This is because the virus will continue to mutate, escape the protection of vaccines and infect people. In addition, Minister Ong added that while Singapore is currently able to tide over the current wave of Covid-19 infections without tightening restrictions, Singapore's healthcare system is bearing the brunt of the current wave and people must be realistic that in a big infection wave, the healthcare system will come under stress. Hence, if the Singapore government were to tighten its SMM and restrict international travel to cope with the spread of the Covid-19, this could derail Singapore's economic recovery and negatively impact SPH REIT's financial performance.

(II) Currency Risk

SPH REIT is exposed to currency risk on distributions from its Australia operations. As at the 31 August 2021, SHP REIT had entered into cross currency swap contracts with a total notional amount of S\$98,137,000 (2020: S\$98,137,000) whereby SPH REIT agreed with counterparties to repay its loan interests and principals in Australian Dollar (AUD) in exchange of receiving Singapore Dollar in return at specified rates, on specified dates. As at 31 August 2021, SPH REIT's exposure to currency risk is shown in **Exhibit 55**.

Exhibit 55: SPH REIT's Net Currency Exposure as at FY2021 and FY2020

	Group	
	2021 AUD'000	2020 AUD'000
Loan to a subsidiary (Note 6)	-	-
Trade and other receivables	-	-
Cash and cash equivalents	28,130	779
Statements of Financial Position exposure	28,130	779
Add: Effect of cross currency swaps	98,137	98,137
Less: Cross currency swaps designated for net investment hedge	(98,137)	(98,137)
Net exposure	28,130	779

Source: SPH REIT

In terms of sensitivity analysis, a 5% strengthening (weakening) of the Singapore Dollar against Australian Dollar would increase/(decrease) total return (before any tax effects) by the amounts as shown in **Exhibit 56**. This analysis assumes that all other variables remain constant.

Exhibit 56: Sensitivity Analysis on SPH REIT's Total Return (Before Tax Effects)

	Group	
	2021 S\$'000	2020 S\$'000
Statements of Total Return		
5% strengthening	1,407	39
5% weakening	(1,407)	(39)

Source: SPH REIT

(III) Rise in Online Retailing

According to Singapore Department of Statistic (Singstat), the estimated total retail sales value in June 2022 was \$3.8 billion. Of which, online retail sales made up an estimated 12.7%, higher than the 11.7% recorded in May 2022. Excluding motor vehicles, the total retail sales value was about \$3.3 billion, of which 14.6% came from online retail sales. Online retail sales of the Computer & Telecommunications Equipment, Furniture & Household Equipment and Supermarkets & Hypermarkets industries made up 48.6%, 29.6% and 15.2% of the total sales of their respective industry.

The rise in online retailing have impacted the retail industry, affecting consumer purchasing behaviour which may reduce the need for retail spaces. Owing to lockdowns and control measures, the pandemic has driven the surge in adopting online platforms for consumer to obtain goods and services. The ease of purchase via online channel may potentially reduce the attractiveness of retail malls and could impact SPH REIT financial performance.

CORPORATE GOVERNANCE

(I) Remuneration

As SPH REIT has no personnel of its own, the Manager hires qualified staff to manage the operations of the Manager and SPH REIT. As such, the remuneration of Directors and staff of the Manager is paid by the Manager, and not by SPH REIT.

The Nominating and Remuneration Committee (NRC) supports the Board in the remuneration matters of the Manager. As the NRC comprises all members of the Board, the majority of the NRC is independent. Chairman of the NRC is Mrs Trina Loh who is an independent director. The NRC's terms of reference set out the scope and authority, amongst others, in performing the functions of a remuneration committee, which include the following:

1. Review and recommend to the Board a framework of remuneration for the Board, CEO and key executives;
2. Review and recommend to the Board the specific remuneration packages for each Director, the CEO and key executives;
3. Review and administer the share and other incentive scheme(s) adopted by the Manager and decide on the allocations to eligible participants under the said share scheme(s); and
4. Review the Manager's obligations arising in the event of termination of the executive directors' and key executives' contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses.

The NRC is responsible for the annual review of the Manager's remuneration policy, its implementation and ensuring compliance with relevant legislation and regulation. In particular, the remuneration policy should reflect these key objectives:

1. Unitholder alignment: to ensure that performance measures are aligned to Unitholders' interest;
2. Alignment with performance: variable compensation takes into account financial performance and achievement of non-financial goals; and
3. Competitiveness: Employees receive compensation and benefits packages, which are reviewed annually and benchmarked to the external market.

The NRC has considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Limited (SPH), and believes that these are transparent and suitable for adoption by the Manager taking into account the circumstances of the Manager and SPH and its subsidiaries as well as the benefits of tapping into SPH's compensation framework. In its decision to adopt the remuneration policies and practices of SPH, the NRC took into account that the framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management strength and the development of key executives. Following the directions and guidelines from the MAS on the remuneration of directors and key executive officers of REIT managers, the Board with the assistance of the NRC has reviewed the remuneration objectives, policies and procedures applicable to the Manager, with a view to aligning them with the substance and spirit of such directions and guidelines from the MAS.

Directors

The NRC has considered the remuneration policies and practices of the Manager's holding company, Singapore Press Holdings Limited (SPH), and believes that these are transparent and suitable for adoption by the Manager taking into account the circumstances of the Manager and SPH and its subsidiaries as well as the benefits of tapping into SPH's compensation framework. In its decision to adopt the remuneration policies and practices of SPH, the NRC took into account that the framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management strength and the development of key executives. Following the directions and guidelines from the MAS on the remuneration of directors and key executive officers of REIT managers, the Board with the assistance of the NRC has reviewed the remuneration objectives, policies and procedures applicable to the Manager, with a view to aligning them with the substance and spirit of such directions and guidelines from the MAS.

In deciding on the remuneration of directors and key executive officers, the NRC will consider the level of remuneration that is appropriate to attract, retain and motivate the directors and key executive officers to run the Manager successfully. The NRC will, in setting the remuneration packages, take into account the pay and employment conditions within the industry and in comparable companies, the Manager's relative performance and the performance of the key executive officers.

The breakdown of the Directors' remuneration paid to each Director for FY2020 and FY2021 is shown in **Exhibit 57** and **Exhibit 58** on the next page.

Exhibit 57: Disclosure of Remuneration of Directors (FY2020)

Name	Board Member S\$	Audit & Risk Committee S\$	Nominating & Remuneration Committee S\$	Total Fees S\$ [#]
Leong Horn Kee	70,000 (Chairman)	-	7,000	73,150
Soon Tit Koon	40,000	20,000 (Chairman)	7,000	63,650
David Chia Chay Poh	40,000	13,000	12,000 (Chairman)	61,750
Hoo Sheau Farn	40,000	13,000	7,000	57,000
Ng Yat Chung*	40,000	-	7,000	44,650
Chua Hwee Song*	40,000	-	7,000	44,650
Ginney Lim May Ling*	40,000	-	7,000	44,650
			Total Fees	389,500

* Directors who are full-time SPH management staff engaged by SPH. They do not receive Directors' fees. Fees are instead paid directly to SPH.

The Directors took a 10% cut in their fees for the third and fourth quarters of FY2020 in light of the COVID-19 situation. Total Fees reflect the 10% cut in fees for the third and fourth quarters of FY2020.

Source: SPH REIT

Exhibit 58: Disclosure of Remuneration of Directors (FY2021)

Name	Board Member S\$	Audit & Risk Committee S\$	Nominating & Remuneration Committee S\$	Total Fees S\$
Leong Horn Kee	70,000 Chairman		7,000	77,000
Soon Tit Koon	40,000	20,000 Chairman	7,000	67,000
David Chia Chay Poh [^]	10,108	3,285	3,032 Chairman	16,425
Trina Loh Soh Yong ^{^^}	30,000	9,750	9,000 Chairman	48,750
Hoo Sheau Farn	40,000	13,000	7,000	60,000
Ng Yat Chung [*]	40,000		7,000	47,000
Chua Hwee Song [*]	40,000		7,000	47,000
Ginney Lim May Ling [*]	40,000		7,000	47,000
Total Fees	310,108	46,035	54,032	410,175

[^] Mr David Chia Chay Poh stepped down as a Non-Executive and Independent Director with effect on 1 December 2020. He served as member of the ARC and Chairman of the NRC until 1 December 2020.

^{^^} Mrs Trina Loh Soh Yong was appointed as a Non-Executive and Independent Director, a member of the ARC and Chairwoman of the NRC with effect from 1 December 2020.

^{*} Directors who are full-time SPH management staff engaged by SPH. They do not receive Directors' fees. Fees are instead paid directly to SPH.

Source: SPH REIT

Change - Announcement Of Resignation Of Director

We note that since Cuscaden's takeover of SPH and the chain offer of SPH REIT, Mr Chua Hwee Song had resigned from SPH, the sponsor on 8 July 2022 for personal reasons, and as a consequence will be resigning as non executive non independent director of SPH REIT Management Pte Ltd.

Key Management Personnel

The Manager adopts a remuneration policy for key management personnel comprising a fixed component, a variable component, benefits-in-kind and unit-based components. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Manager's and each individual employee's performance. The NRC will approve the bonus for distribution to staff on that basis.

For the Manager, long term incentive-based compensation in the form of Unit awards is granted as part of an overall compensation programme. It is an extension of the Manager's pay-for-performance philosophy. Performance unit awards recognise the contributions and services of high performing employees and motivate the incumbents to perform for the long-term success of SPH REIT as well as to enhance total returns for Unitholders

The Manager is making available, remuneration of the CEO and Key Management Personnel in bands of S\$250,000. The Key Management Personnel includes the Chief Financial Officer, Senior Investment Manager and Senior Asset Manager and any other persons deemed a "Key Management Personnel" by the NRC.

In FY2020, SPH REIT's Board has reviewed, assessed and decided against the disclosure of its key management personnel on the following grounds:

1. The remuneration of the Directors and employees of the Manager are not paid out of the deposited property of SPH REIT (listed issuer). Instead, they are remunerated directly by the Manager, which is a private company. The fees that the Manager gets from SPH REIT have been disclosed under the "Interested person/interested party transactions" section of the Annual Report;
2. Remuneration matters for the CEO and each of the executive officers are highly confidential and sensitive matters;
3. There is no misalignment between the remuneration of the Directors and the key management personnel of the Manager and the interests of the Unitholders given that their remuneration is not linked to the gross revenue of SPH REIT and is paid out of the assets of the Manager and not out of SPH REIT; and
4. Such disclosure may have negative impact on the Manager in attracting and retaining talent for the Manager on a long-term basis, taking into consideration factors such as the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment in which the Manager operates, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place.

The breakdown of remuneration of the key management personnel for FY2021 is shown in **Exhibit 59**.

Exhibit 59: Disclosure Of Key Management Personnel (FY2021)

Table 1 – Chief Executive Officer's Remuneration Table for FY2021

Remuneration Band of CEO (Ms Susan Leng Mee Yin) (S\$)	Based/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Units* (%)	Total (%)
Between 500,001 to 750,000	62.90	24.26	0.07	12.77	100

Table 2 – Key Management Personnel's Remuneration Table for FY2021

Remuneration Band of Key Management Personnel (excluding CEO) (S\$)	No. of Executives	Based/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Units* (%)	Total (%)
Between 1 to 250,000	3	86.33	12.28	0.13	1.26	100

Notes:

- 1 The Manager has less than five key management personnel other than the CEO.
- 2 The remuneration of CEO and key management personnel was borne by the Manager.
- * Based on the market price of the SPH REIT units when the SPH REIT units were credited into the employees' CDP accounts in FY2021.

Source: SPH REIT

SUSTAINABILITY INFORMATION

Sustainability Governance

The Board has delegated the responsibility of overseeing, monitoring and reporting of SPH REIT's material ESG Factors to the Audit & Risk Committee (ARC) as shown in **Exhibit 60**. The Sustainability Steering Committee (SSC), comprising senior management, supports the ARC with the formulation of SPH REIT's sustainability objectives and strategy, as well as manages and monitors overall sustainability performance. Working alongside the SSC is the Sustainability Working Committee (SWC), which is made up of representatives from different business functions. Collectively, they play a key role in ensuring sustainability practices are driven across SPH REIT.

Exhibit 60: SPH REIT's Sustainability Governance Structure



Source: SPH REIT

SPH REIT recognises that its commitment to sustainability will benefit from collaborating with external partners such as suppliers who can enhance its impact on society and the environment. On the other hand, the procurement of unsustainable materials can negatively impact SPH REIT's reputation and ESG performance. As such, for all projects which SPH REIT embarks on, it strives to work with suppliers who are transparent, ethical, and environmentally and socially responsible. SPH REIT has implemented guidelines, which include SPH Group's Supplier Code of Conduct, to promote ethical behaviour and sustainability awareness among its suppliers. The Supplier Code of Conduct covers:

- Compliance with laws and regulations
- Ethical business dealings handled with integrity, transparency and honesty
- Confidentiality in accordance with the terms of contract
- Compliance with all applicable competition laws
- Meeting fair standards in the treatment of all employees and compliance with national laws on wages and working hours as well as international standards regarding child labour and minimum age
- Provision of a safe and healthy working environment for all its employees
- Strict compliance with local environmental laws and practices

During the Covid-19 situation, RPMS' appointed vendors have continued to provide the minimum service standards required to support the malls' operations in Singapore. There were no disruptions to the supply chain and material operations across all its properties

Stakeholder Engagement

SPH REIT believes that maintaining a strong and active stakeholder engagement is key towards achieving long-term growth, value creation and success. SPH REIT builds rapport and trust with its stakeholders through regular, timely engagement and communication to understand their concerns and expectations. Such engagement helps SPH REIT in allocating resources appropriately in response to their needs. **Exhibit 61** and **Exhibit 62** on the next page highlights its key stakeholders, and the methods it adopts to engage with them and subsequently respond to their changing needs.

Exhibit 61: SPH REIT's Stakeholder Engagement

Key Stakeholders	Description	Engagement Methods	Key Issues of Interest	Corresponding Sections of the Annual Report
Customers and Tenants	To understand the needs of the tenants and customers, and work with tenants to enrich customer experience	<p>Singapore</p> <ul style="list-style-type: none"> • Management circulars and notices • Tenant bulletins • Tenant engagement activities • Informal dialogue and networking sessions <p>Australia</p> <ul style="list-style-type: none"> • Annual collaboration workshops • Visual merchandising, social media workshops and loyalty programme • Retailer Handbooks and regular notices 	<ul style="list-style-type: none"> • Shopping experience, that enhances the lifestyle • A safe and sustainable space • Contribution to local communities • Property tax rebates and rental reliefs to ease tenants' cashflow 	Sustainability Report
Unitholders and Investors	To obtain unitholders' support to our sustainability efforts, and help them understand our sustainability goals and efforts	<ul style="list-style-type: none"> • Release of financial results, operational updates, announcements, media releases, and other relevant disclosures through SGXNET, Annual Report and SPH REIT's website • Annual General Meeting • Extraordinary General Meeting, where necessary • Updates through one-on-one and group meetings and investor roadshows (held virtually where possible) • Online meetings with Unitholders and Investors 	<ul style="list-style-type: none"> • Economic performance and recovery of SPH REIT in a post-COVID-19 economy 	Financial Statements

Source: SPH REIT

Exhibit 62: SPH REIT's Stakeholder Engagement (Cont'd)

Key Stakeholders	Description	Engagement Methods	Key Issues of Interest	Corresponding Sections of the Annual Report
Regulators	To communicate with regulators from time to time and ensure compliance with relevant laws and regulations	<ul style="list-style-type: none"> Industry networking functions Annual regulatory audits Compliance with mandatory reporting requirements and newly-introduced COVID-19 requirements 	<ul style="list-style-type: none"> Economic performance Regulatory and Socioeconomic compliance 	Corporate Governance Report
Employees	To provide a working environment that provides fair remuneration, equal treatment, safe and healthy working conditions, and career development opportunities	<ul style="list-style-type: none"> Human Resources Policies and Practices Employee grievance mechanism Daily communications done virtually, bi-weekly check-ins from supervisors 	<ul style="list-style-type: none"> Remuneration, compensation and benefits Fair and equal employment opportunities Training and career development programmes Safe and healthy working environment Job security amidst COVID-19 crisis and economic downturn 	Sustainability Report
Contractors and Suppliers	To build mutually beneficial and long-lasting business relationships	<ul style="list-style-type: none"> Regular communications directly with the suppliers 	<ul style="list-style-type: none"> Collaborative partnerships with SPH REIT 	Sustainability Report
Local Community	To be a responsible corporate citizen that serves the local community	<ul style="list-style-type: none"> Community outreach programmes and charitable events (held in accordance with latest COVID-19 regulations) <p>Singapore</p> <ul style="list-style-type: none"> While all in-mall atrium events have been cancelled, messages on being socially responsible during the COVID-19 period have been displayed across malls and their respective social media platforms <p>Australia</p> <ul style="list-style-type: none"> All in-mall events have been downsized and modified to adhere to social distancing restrictions, while messages on being socially responsible during the COVID-19 period have been displayed across malls and their respective social media platforms 	<ul style="list-style-type: none"> Contribution to local communities 	Sustainability Report

Source: SPH REIT

Materiality Assessment

In FY2021, SPH REIT expanded the reporting scope to include Westfield Marion in Australia. The six existing material ESG factors were reviewed by the Management and determined to be of relevance to SPH REIT's business operations. These six material ESG factors were presented to the Board for their approval and have been included as shown in **Exhibit 63** and **Exhibit 64** on the next page.

Exhibit 63: SPH REIT's Materiality Matrix

Material Topics			
GRI Standard	Disclosure		Section of Report and / or Explanation for Omission
Data Privacy			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability at SPH REIT Data Privacy
	103-2	The management approach and its components	Sustainability at SPH REIT Data Privacy
	103-3	Evaluation of the management approach	Data Privacy
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Privacy
Health and Safety of Stakeholders			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability at SPH REIT Health and Safety of Stakeholders
	103-2	The management approach and its components	Sustainability at SPH REIT Health and Safety of Stakeholders
	103-3	Evaluation of the management approach	Health and Safety of Stakeholders
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Health and Safety of Stakeholders
	403-2	Hazard identification, risk assessment and incident investigation	Health and Safety of Stakeholders
	403-3	Occupational Health Services	Health and Safety of Stakeholders
	403-4	Worker participation, consultation, and communication on occupational health and safety	Health and Safety of Stakeholders
	403-5	Worker training on Occupational Health and Safety	Health and Safety of Stakeholders
	403-6	Promotion of worker health	Health and Safety of Stakeholders
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety of Stakeholders
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Health and Safety of Stakeholders

Source: SPH REIT

Exhibit 64: SPH REIT's Materiality Matrix (Cont'd)

Material Topics			Section of Report and / or Explanation for Omission
GRI Standard	Disclosure		
Corporate Governance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability at SPH REIT Corporate Governance
	103-2	The management approach and its components	Sustainability at SPH REIT Corporate Governance
	103-3	Evaluation of the management approach	Corporate Governance
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	Anti-corruption
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance
Energy Usage			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability at SPH REIT Energy and Emissions
	103-2	The management approach and its components	Sustainability at SPH REIT Energy and Emissions
	103-3	Evaluation of the management approach	Energy and Emissions
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Energy and Emissions
	302-3	Energy Intensity	Energy and Emissions
GRI 305: Emissions 2016	305-2	Energy indirect (Scope 2) GHG Emissions	Energy and Emissions
	305-4	GHG emissions intensity	Energy and Emissions
Water Usage			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability at SPH REIT Water
	103-2	The management approach and its components	Sustainability at SPH REIT Water
	103-3	Evaluation of the management approach	Water
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Water
	303-2	Management of water discharge-related impacts	Water
	303-3	Water withdrawal	Water
Local Communities			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability at SPH REIT Impact on Local Communities
	103-2	The management approach and its components	Sustainability at SPH REIT Impact on Local Communities
	103-3	Evaluation of the management approach	Impact on Local Communities
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Impact on Local Communities

Source: SPH REIT

DISCLOSURES/DISCLAIMERS

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