

INTERVIEW WITH THE GROUP CEO

MR HIEW YOON KHONG



1) Financial Year 2020/2021 (FY20/21) was volatile due to Covid-19. How did Mapletree fare?

Mapletree achieved positive returns in FY20/21 with 8.6% return on invested equity (ROIE)¹ and 10.6% return on equity (ROE)³. The Group realised profit after tax and minority interests (PATMI)⁴ of S\$1,019.9 million before a one-off accounting gain from the deconsolidation of Mapletree Industrial Trust (MIT). Including the one-off accounting adjustment, Mapletree's PATMI⁴ was increased by 4% from S\$1,778.5 million in FY19/20 to S\$1,849.9 million in FY20/21. Recurring PATMI⁴ remained robust at S\$633.3 million. This attests to the resilience of the Group's business model and operating business despite the full-year impact of Covid-19.

The Group's diversified portfolio bolstered FY20/21's results, especially with our exposure to the logistics and data centre sectors. Assets in these sectors make up the largest proportion of Mapletree's assets under management (AUM) at 36%.

Conversely, we have less exposure to the retail and lodging sectors, which were adversely affected by the pandemic.

2) You mentioned that the impact of Covid-19 has been uneven across asset classes. Could you expand on the operational impact this has had on Mapletree's business?

Logistics and data centres continued to outperform during the Covid-19 pandemic period, underpinned by changing consumer shopping patterns, resulting in the rapid growth of e-commerce as well as the growing

THIRD FIVE-YEAR PLAN

Key Performance Indicators (KPIs)	Targets by FY23/24	FY20/21 Final Results
Returns		
Average ROIE ^{1,2}	10% to 15%	15.1%
Average ROE ^{2,3}	10% to 15%	10.9%
Earnings/Cash Flow		
Average Recurring PATMI ^{2,4}	S\$900 million to S\$1 billion	S\$692.7 million
Recycled Proceeds ^{5,6}	>S\$20 billion	S\$8.8 billion
Capital Management		
Fee Income ⁵	>S\$2.5 billion	S\$883.6 million
AUM ratio	>3x	2.4x
AUM	S\$80 billion to S\$90 billion	S\$66.3 billion

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need for data hosting and cloud services. Accordingly, we have deployed the largest component of capital amounting to S\$2.3 billion into the logistics and data centre sectors, which have contributed S\$596.2 million or 32% to EBIT + SOA⁷ in FY20/21.

Mapletree's resilient earnings is underscored by our ability to identify and invest in asset classes with attractive long-term returns while limiting exposure to weaker sectors. We have a healthy recurring PATMI⁴, contributed by our existing operations and further enhanced by full-year contributions from data centre assets in the United States (US) and Global Technology Park in Bengaluru, India.

However, the lodging and retail sectors experienced weaker performance amid persistent travel restrictions and social distancing measures. We also had to implement rent relief measures to support our tenants. As at 31 March 2021, contribution to Mapletree's EBIT + SOA⁷ declined year-on-year (y-o-y) by 6.5% for retail and 45.4% for lodging. Nevertheless, these two asset classes fared better than originally anticipated at the start of FY20/21.

Mapletree's office assets remained stable, with a slight uptick in EBIT + SOA⁷ contribution to 44.2% in FY20/21, partly due to the contribution of newly acquired offices in South Korea, the Netherlands and the US.

3) What contributed to the expansion of Mapletree's AUM to S\$66.3 billion in FY20/21?

From Mapletree's beginnings as a Singapore-focused real estate company with S\$2.3 billion in AUM in 2000, we have expanded globally into markets beyond Asia and diversified our asset classes – all while executing significant business growth in a calibrated and disciplined manner. With a strong balance sheet backed by our robust and tested business model, we have built up sufficient financial flexibility not only to meet our current commitments, but also to capitalise on future growth opportunities.

Investment acquisitions

Mapletree acquired its maiden logistics asset in India in May 2020 through a forward purchase agreement. Comprising three warehouses covering about 58,818 square metres (sqm)

of gross floor area (GFA), the asset is located in Chakan, Pune, and is due for completion by Q2 2022. The Group subsequently acquired fully completed warehouses adjacent to these assets, resulting in Mapletree owning the entire logistics park spanning approximately 103,268 sqm in GFA. In addition to Mapletree's current office assets in Bengaluru, Chennai and Pune, our commercial footprint grew to include Mumbai through the acquisition of around 25,516 sqm of land for office development.

In the US, the Group acquired 11 office buildings in Raleigh, North Carolina; Uptown Station in Oakland, California; and Galatyn Commons, a four-building office portfolio in Richardson, Texas. These acquisitions at a total investment value of US\$1 billion (~S\$1.3 billion) deepened Mapletree's presence in the US commercial market and will be part of the seed portfolio for an upcoming private fund – Mapletree US Income Commercial Trust (MUSIC) – earmarked for syndication during FY21/22.

In Europe, Mapletree entered the Dutch commercial market by acquiring six office buildings in Papendorp Park in Utrecht for EUR147 million (~S\$236 million), forming part of the Mapletree Europe Income Trust (MERIT) portfolio.

Logistics developments

In November 2020, Mapletree acquired a prime land parcel measuring 116,431 sqm in Chikushino, Fukuoka prefecture, Japan. Upon completion in Spring 2024, it will be transformed into two blocks of multi-storey logistics facilities with a combined GFA of 231,956 sqm and total investment at more than S\$550 million. This will be Kyushu's largest logistics warehouse.

In the same month, Mapletree acquired a 36.3-hectare (ha) site in Brisbane, Australia which will be developed into



Located in Morrisville, North Carolina, the US, 1009 Think Place is a single-tenanted office building fully let to Microsoft Corporation.

Mapletree Logistics Park – Crestmead. The project will deliver approximately 200,000 sqm of high-grade logistics warehousing and office space across nine buildings.

We extended our presence in the China logistics market with another 16 logistics parks completed in FY20/21. A total of 48 projects are currently under development, including 12 newly acquired sites. As at 31 March 2021, Mapletree operates 58 logistics properties spanning 39 cities in China, covering a total net lettable area (NLA) of about 4.2 million sqm.

Mapletree's logistics developments in Southeast Asia are also progressing well. In Shah Alam, Malaysia, construction commenced for the development of a Grade A, four-storey ramp-up warehouse facility. With the completion of several logistics parks in Northern and Southern Vietnam, approximately 440,000 sqm of GFA will be added to the portfolio. The Group is acquiring another 39.5-ha site in North Vietnam for development into approximately 250,000 sqm of logistics facilities.

The Group also actively pursues building expansion opportunities to boost the attractiveness of existing properties for tenants and investors. In China, we expanded the GFA of Ouluo Logistics Park Phase 2 by 36,193 sqm in July 2020. We also rejuvenated assets in the Mapletree US & EU Logistics Private Trust (MUSEL) portfolio in early 2021 by completing an extension measuring approximately 14,500 sqm for a property in Ohio, the US; as well as commencing the addition of 10,000 sqm of space to a property in France.

Data centre development

In February 2021, Mapletree won a HK\$813 million (~S\$140.4 million) land tender to develop a data centre in Hong Kong SAR. Slated for completion

by 2023, the approximately 4,000 sqm site in Fanling, New Territories is well-located to provide good connectivity for cloud players in the neighbouring Shenzhen, China.

Residential developments

In Singapore, Mapletree launched The Reef at King's Dock, a 429-unit landmark waterfront residential property situated in the HarbourFront Precinct. As at 31 March 2021, 80% of total units have been sold.

Mapletree's China residential development portfolio continued to expand amid positive reception. In FY20/21, the Group acquired two sites in Guangzhou and Wuxi. Yielding about 800 and 1,400 residential units respectively, the projects are conveniently located next to existing metro stations. As at 31 March 2021, Nanhai Business City in Foshan had fully sold all 2,743 residential units. Similarly, Mapletree Ningbo Mixed-Use Development sold 100% of residential units and carparks.

Office developments

In the United Kingdom (UK), Mapletree completed the development of 400 and 450 Longwater Avenue located within the landmark development, Green Park. Each building comprises 10,869 sqm of column-free, premium office space that will benefit from its close proximity to the new Green Park station. In March 2021, an agreement was signed to lease 450 Longwater Avenue to one of UK's largest mobile network operators for 15 years. The refurbishment of 100 Brook Drive and a café space in 100 Longwater Avenue were also completed, along with the successful leasing of 350 Brook Drive on an eight-year term.

Student housing development and acquisition

In December 2020, Mapletree completed its first US student housing development project, The Chestnut at

University City, a 405-unit project close to the University of Pennsylvania.

Mapletree also acquired New Century Place Building 3, a 135-bed student housing asset near Reading University in the UK.

4) Can you tell us more about how Mapletree's capital management platforms performed?

Over the last decade, Mapletree has grown its third-party funds under management by more than five times to approximately S\$26 billion as at 31 March 2021, a 10.6% increase y-o-y.

Real estate investment trusts (REITs)

Since Mapletree Logistics Trust (MLT) was listed in 2005, our stable of Mapletree-sponsored Singapore-listed REITs has grown to four. Diversified in asset class and geography, they continue to be well-received by both institutional and retail investors as they provide stable and consistent total returns even in challenging times. In FY20/21, MLT, MIT, Mapletree Commercial Trust (MCT) and Mapletree North Asia Commercial Trust (MNACT) generated healthy total returns of 27.4%, 17.9%⁸, 21.0% and 37.5%⁹ respectively.

Distributions per unit (DPU) and unit prices of our four REITs have continued to grow since inception. Mapletree's REITs achieved sustained organic growth through operations and asset enhancement initiatives complemented by strategic and accretive acquisitions.

As sponsor, Mapletree enhances the REIT portfolios through joint ventures for acquisitions at an attractive yield spread, in addition to providing a healthy pipeline of assets. This financial year, we embarked on several such opportunities.

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In October 2020, Mapletree and MNACT co-invested in The Pinnacle Gangnam, a freehold office building in Seoul, South Korea for KRW452 billion (~S\$535.1 million). The joint venture was a timely opportunity to diversify MNACT's portfolio with the Trust's first office asset in Seoul via a premium Grade A property acquired at an attractive yield spread. Moreover, the quality acquisition strengthened both Mapletree and MNACT's balance sheet by providing a stable and growing income stream.

Other prospects that Mapletree supported as a sponsor include MLT's acquisition of nine high-quality Grade A logistics facilities located in the key logistics hubs of China, Malaysia and Vietnam, as well as the remaining 50% interest in 15 logistics properties in China. The DPU and net asset value accretive acquisitions deepened MLT's network connectivity, enabling tenants to build supply chain resilience. Along with this, Mapletree successfully freed up S\$600 million of capital for reinvestment in FY20/21.

MIT completed the acquisition of the balance 60% interest for 14 US data centres held under Mapletree Redwood Data Centre Trust in September 2020. The acquisition increased MIT's exposure to the resilient data centre market while enlarging its presence in the US, the largest data centre market in the world.

I am pleased that all four Mapletree-sponsored REITs have continued to make inroads into sustainable financing options. MCT secured S\$370 million of green loan facilities in FY20/21 to refinance loans for MCT's properties which have been certified BCA Green Mark Gold^{PLUS} or better. Specifically, Mapletree Business City (MBC) I, MBC II and VivoCity are certified BCA Green Mark Platinum.



Mapletree Ningbo Mixed-Use Development Project spans 8.5 ha and comprises a mall, 13 residential blocks, street shops and a medical centre. The project is located in the Jiangbei district, earmarked as the new central business district.

MIT obtained its inaugural S\$300 million sustainability-linked facility in December 2020. With a tenor of up to six years, MIT can use the proceeds for general working capital and corporate funding purposes.

MNACT obtained two green loan facilities in August 2020 and March 2021 amounting to HK\$1.2 billion (~S\$207.3 million) for loans relating to Festival Walk in Hong Kong SAR, which has been certified a Final Platinum rating by Hong Kong Green Building Council.

MLT expanded its green financing options in FY20/21 by securing two green loan facilities amounting to S\$350 million. Proceeds from the facilities will be used to finance working capital requirements that are in line with the eligibility criteria of MLT's green loan framework.

Mapletree's capabilities as a capital manager and sponsor continued to be recognised in FY20/21. Following

the addition of MIT to the FTSE Straits Times Index on 22 June 2020, three out of Mapletree's four REITs are now represented on the benchmark index.

Private real estate funds

In March 2021, Mapletree announced the successful closing of its first European office fund, MERIT. With EUR507 million (~S\$812.9 million) in total fund equity and total asset value of EUR1.2 billion (~S\$1.9 billion), MERIT is fully invested at closing and consists of seven Grade A properties in key European and UK cities.

MERIT targets a 12% internal rate of return (IRR)¹⁰, and will provide a robust and stable income stream from a portfolio of high quality commercial assets, anchored by long lease profiles. The successful syndication of MERIT despite challenging market conditions reflects investors' confidence in Mapletree's fund management capability and track record.

In addition to MERIT, Mapletree manages four other active funds – namely Mapletree China Opportunity Fund II (MCOF II), Mapletree Global Student Accommodation Private Trust (MGSA), Mapletree Australia Commercial Private Trust (MASCOT) and MUSEL.

In June 2020, MJLD achieved a successful exit. Launched in 2014, the fund's objective was to invest in logistics development assets and select completed logistics assets in Japan. MJLD realised a return of 1.8 times equity multiple and net IRR¹⁰ of 23.7%, significantly above the target of 13% to 15%.

MJLD joins Mapletree's portfolio of fully realised funds with a track record of positive net IRR¹⁰. These include Mapletree India China Fund (13.6%), MJOF (27.2%), Mapletree Industrial Fund (15.1%), Mapletree Industrial Trust – Private (19.1%) as well as Mapletree Real Estate Mezzanine Fund (25.3%).

5) Does Mapletree intend to launch more capital management vehicles?

Yes, we plan to sponsor more private funds as well as public-listed REITs, as this is part and parcel of Mapletree's business model to reinvest our capital and at the same time to structure appropriate products for our investors. For the remaining period of the current Five-Year Plan, the Group will be looking at putting together suitable portfolios to launch new funds and REITs.

Notwithstanding the current challenges posed by the pandemic, we will continue to identify and structure appropriate syndication products to meet investors' demand and aim to launch at least one to two new funds or REITs each year. Our asset pipeline looks healthy and we are confident of

launching three new fund products in FY21/22, which may comprise US office buildings, US logistics assets and China co-investment opportunities.

We continue to receive strong interest from investors for our private funds. As at 31 March 2021, the Group is managing or has managed 15 public and private capital management vehicles on behalf of institutional as well as high net worth and retail investors. Our resilient real estate portfolio offers investors exposure to diversified and sector-focused vehicles to deliver exceptional long-term investment performance. We have established a good track record to reward our investors who have entrusted their investments alongside us.

The Group's further expansion in the various markets is backed by a strong team on the ground to source for opportunities as well as to execute asset and property management of our assets. Mapletree will continue to grow its onshore offices with local talents in new locations in support of our expansion plans. Currently, we have 22 offices in 13 markets worldwide.

6) How is Mapletree's third Five-Year Plan progressing?

We have completed the second year of our current Five-Year Plan and are on track to achieve most of the KPIs. Most importantly, the Group has focused on attaining the returns targets set out.

Average ROIE^{1,2} and Average ROE^{2,3} since FY19/20 stand at 15.1% and 10.9% respectively. Fee income grew to S\$365.8 million in FY20/21, putting us on track to achieving our Five-Year returns target.

However, Average Recurring PATMI^{2,4} dipped slightly to S\$692.7 million due to

the weaker performances by the Group's retail and lodging assets resulting from the Covid-19 pandemic. Nonetheless, we endeavour to catch up on this when the global Covid-19 situation improves over the next three years.

As at 31 March 2021, Mapletree's AUM was up by 9.7% to S\$66.3 billion. However, net gearing dropped by 2% to 60.5% from FY19/20's 62.5% due to reinvestment and syndication activities. In tandem with the increasing concentration and intensity of our capital management activities, we have boosted our AUM ratio to 2.4 times in FY20/21.

- 1 ROIE is computed based on adjusted* PATMI over the Group's equity held at original invested cost (OIC).
- 2 From FY19/20 to FY20/21.
- 3 ROE denotes return on equity and is computed based on PATMI attributable to Equity Holder of the Company over shareholder's funds.
- 4 PATMI denotes net profit after tax and non-controlling interests attributable to Perpetual Securities Holders and Equity Holder of the Company.
- 5 KPIs measured on a five-year cumulative basis.
- 6 Measured on Mapletree Investments' balance sheet perspective (excluding REITs and private funds).
- 7 Earnings before interest and tax (EBIT) plus share of operating profit or loss of associated companies and joint ventures (SOA), excluding residential profits, incentive fee from private funds' divestment, revaluation gains or losses, divestment gains or losses, foreign exchange and derivatives gains or losses.
- 8 Sum of distributions and capital appreciation for the period over the closing unit price of S\$2.430 as at 31 March 2020.
- 9 Sum of the percentage increase in unit price and total distribution yield for the period. Total distribution yield for FY20/21 is based on available DPU to Unitholders of 6.175 Singapore cents for FY20/21 over closing unit price of S\$1.06 as at 31 March 2021.
- 10 After expenses, taxes and base management fee but before carried interest.

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