

INTERVIEW WITH  
**THE GROUP CEO**



Mr Hiew Yoon Khong  
Group CEO

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## THIRD FIVE-YEAR PLAN

Key Performance Indicators (KPIs)	Targets by FY23/24	FY21/22 Final Results
<b>Returns</b>		
Average ROIE <sup>1,2</sup>	10% to 15%	13.1%
Average ROE <sup>2,3</sup>	10% to 15%	10.7%
<b>Earnings/Cash Flow</b>		
Average Recurring PATMI <sup>2,4</sup>	S\$900 million to S\$1 billion	S\$732 million
Recycled Proceeds <sup>5,6</sup>	>S\$20 billion	S\$15.4 billion
<b>Capital Management</b>		
Fee Income <sup>5</sup>	>S\$2.5 billion	S\$1.3 billion
AUM ratio	>3x	2.9x
AUM	S\$80 billion to S\$90 billion	S\$78.7 billion

### 1) HOW DID MAPLETREE PERFORM IN FINANCIAL YEAR 2021/2022 (FY21/22) AS THE ECONOMY RECOVERED FROM THE EFFECTS OF COVID-19?

The Group achieved another year of positive results in FY21/22, with a higher profit after tax and minority interests (PATMI)<sup>4</sup> of S\$1,964.9 million, a 6.2% increase from the previous financial year, and delivered a Recurring PATMI<sup>4</sup> of S\$810.2 million. Consequently, the Group's return on equity (ROE)<sup>3</sup> held steady at more than 10%. These resilient results were driven by enhanced operational performance and contributions from new acquisitions.

Despite the challenging market conditions, we remained focused on executing our business plan in a disciplined and calibrated manner, seeking opportunities to syndicate more capital management products and embark on capital recycling initiatives to deliver attractive returns. We deepened our exposure to resilient asset classes, such as the logistics and student accommodation sectors. Logistics properties now account for 37% of the Group's total assets under management (AUM), up from 31%

a year ago. The Group also made significant acquisitions in the student accommodation sector in FY21/22, adding S\$800 million in AUM and over 2,500 beds to our portfolio.

### 2) COULD YOU SHARE SOME MILESTONES THAT MAPLETREE'S CAPITAL MANAGEMENT PLATFORMS ACHIEVED IN FY21/22?

With prudent structuring and fundraising capabilities, the Group has established a strong reputation in the private capital management business beyond the Singapore public real estate investment trust (REIT) market. In the last decade, our third-party managed AUM grew from S\$11.4 billion to S\$58.5 billion, representing a managed to owned AUM ratio of 2.9 times. We believe our capital management business has achieved the requisite scale and track record to capitalise on more opportunities to accelerate AUM growth.

#### Private real estate funds

In FY21/22, the Group broke previous fundraising records, achieving a total private fundraise of US\$2 billion (~S\$2.7 billion) and increasing our private fund AUM to S\$19.7 billion. We successfully syndicated Mapletree

US Income Commercial Trust (MUSIC), a US\$552 million (~S\$745.2 million)<sup>7</sup> United States (US) office fund that features five Class A commercial properties and Mapletree US Logistics Private Trust (MUSLOG), a US\$1.4 billion (~S\$1.9 billion)<sup>7</sup> logistics fund in the US comprising 155 logistics assets located across 19 states.

#### REITs

Mapletree's four Singapore-listed REITs continued to deliver stable returns to investors since their respective initial public offerings, despite the challenges brought on by the Covid-19 pandemic.

In FY21/22, Mapletree Logistics Trust (MLT) announced the acquisition of 23 logistics facilities in Singapore, Australia, China, Japan, Malaysia, South Korea and Vietnam, for approximately S\$1.9 billion. This includes the acquisition of a S\$946 million logistics portfolio from Mapletree. In addition to stabilised assets, MLT announced the proposed acquisition of two leasehold industrial land plots in Subang Jaya, Selangor, for redevelopment. These land plots are adjacent to MLT's existing properties, Subang 3 and 4.

Meanwhile, Mapletree Industrial Trust (MIT) deepened its data centre presence in the US with the completion of a US\$1.32 billion (~S\$1.8 billion) acquisition of 29 data centres across 18 states in July 2021. In Singapore, MIT embarked on the redevelopment of Kallang Way from Flatted Factories into a new high-tech industrial precinct, which is slated for completion in the first half of 2023, and will increase gross floor area (GFA) by approximately 70% to 80,420 square metres (sqm).

Mapletree North Asia Commercial Trust (MNACT) remained focused on strengthening portfolio resilience during FY21/22, achieving a high portfolio occupancy of 97.4% through proactive leasing. In line with the strategy to diversify income stream, MNACT expanded its portfolio with



50 South Sixth, a Class A office building located in the heart of the Minneapolis central business district (CBD).

the acquisition of Hewlett-Packard Japan Headquarters, a high-quality office building located in Tokyo, for S\$483.4 million in June 2021. This was partially funded by MNACT's inaugural issue of S\$250 million worth of perpetual securities. As a reaffirmation of the MNACT Manager's commitment to sustainability, all nine Japan Properties achieved CASBEE<sup>9</sup> certifications during the year, bringing the total number of green building certifications for the MNACT portfolio from two in FY20/21 to 11 to date.

The proposed merger between Mapletree Commercial Trust (MCT) and MNACT to form Mapletree Pan Asia Commercial Trust (MPACT), a flagship Asian commercial REIT with a diversified portfolio of 18 high-quality commercial assets, was successfully passed at the Extraordinary General Meeting held on 23 May 2022. We would like to thank our investors and unitholders for their support of the MCT Manager's commitment towards optimising returns and enhancing MPACT's financial performance by rebalancing the portfolio.

Distributions per unit and unit prices of our four REITs have continued to grow since inception with sustained organic and acquisition growth. Fee income from the four REITs and seven private funds contributed S\$448.2 million to the Group's total fee income<sup>8</sup> of S\$464.2 million.

### 3) WHAT WERE SOME STRATEGIC ACQUISITIONS AND INVESTMENTS THE GROUP EMBARKED ON IN FY21/22?

The Group saw a robust increase of 18.7% in our total AUM to S\$78.7 billion, where 74% are third-party managed assets under our Singapore-listed REITs and seven private funds. Our diversified portfolio has enabled us to consistently achieve a track record of stable and attractive returns, and to formulate new products for syndication under our various fund platforms.

#### Logistics acquisitions and developments

The logistics sector has benefitted from structural shifts even before the Covid-19 pandemic. The acceleration of e-commerce and increase in companies shifting towards just-in-case supply chain management have resulted in the significant growth of the logistics sector worldwide.

Riding on this opportunity, Mapletree successfully syndicated MUSLOG on the back of our plan to scale up our logistics presence in the US through two portfolio acquisitions of 141 assets for a total investment value of approximately US\$3 billion (~S\$4.1 billion) in September 2021. Together with assets acquired under Mapletree US & EU Logistics Private Trust (MUSEL), which was syndicated in 2019, the Group now manages over 350 logistics facilities in the US with an AUM of S\$10.7 billion, positioning Mapletree among the top 11 managers of logistics real estate in the US.

In China, Mapletree continues to maintain a leading position in the logistics market with total AUM of approximately S\$6 billion across completed as well as development projects. This year, we widened our China logistics footprint with the completion of 21 logistics parks, adding 1.6 million sqm of net lettable area (NLA) to the portfolio. Another 44 projects are under development, including 17 new sites acquired during the financial year, which will add 3 million sqm of NLA upon completion. Our completed development projects include Mapletree Chengmai Jinma Logistics Park in June 2021 – marking the Group's first foray into Hainan province – and Mapletree (Suzhou) Modern Service Intelligent Park, which is well connected to both Suzhou and Shanghai in the Yangtze River Delta.

In total, Mapletree has committed about RMB19 billion (~S\$4.1 billion) for logistics development projects in China. We have also actively pursued expansion opportunities, where we secured a land parcel in Nanning, Guangxi Province, in August. This will yield an NLA of about 61,000 sqm of Grade A logistics space by 2023. In September 2021, we acquired a prime development opportunity in Shanghai, with a land area of 106,500 sqm, to further strengthen Mapletree's presence in the area.

Reinforcing our global logistics footprint, we also continued expanding in Vietnam with the securing of two land parcels – a 39.5-hectare (ha) development site in Thuan Thanh Industrial Park III, Bac Ninh Province, which will be developed into a logistics park yielding about 247,122 sqm of GFA and a 33.5-ha site in Hoa Phu, Bac Giang Province, also slated for development into a logistics park. Construction of Mapletree Logistics Park Hung Yen 1 Phases B and C is underway and is scheduled for completion in June 2022 and March 2023 respectively.

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In the South of Vietnam, the final two phases of Mapletree Logistics Park, Phase 6 and Phase 4, were completed in March and April 2022 respectively and have been receiving strong interest from end-users and third-party logistics operators (3PLs) due to their proximity to Ho Chi Minh City.

In December 2021, we completed our first logistics land acquisition of a 49.7-acre site in Bengaluru, India, with a logistics development potential of 107,942 sqm.

In Malaysia, Mapletree has focused our logistics development efforts in Shah Alam, Selangor, which serves the Greater Kuala Lumpur area and sees high demand from 3PLs and end-users for distribution and delivery. The Group is redeveloping Mapletree Logistics Hub – Jubli Shah Alam into a four-storey ramp-up warehouse facility of about 130,064 sqm in GFA and Mapletree Logistics Hub – Utas Shah Alam into a four-storey ramp-up logistics hub with a GFA of about 342,020 sqm.

In Brisbane, Australia, the Group completed Mapletree Logistics Park – Crestmead Phase 1 in April 2022, comprising two buildings with a combined GFA of 62,817 sqm.

Overall, the Group's exposure to logistics properties increased significantly in FY21/22.

## Student accommodation acquisitions

With rising vaccination rates and the reopening of international borders worldwide, students are resuming overseas studies, positioning student accommodation as another resilient asset class. In August 2021, the Group acquired four student housing assets in the United Kingdom (UK) comprising 921 beds, for a total consideration exceeding GBP165 million (~S\$293.5 million). These assets are situated in Nottingham, Leeds, Exeter and Bristol, and are within walking distance to Russell Group Universities.

In September 2021, Mapletree acquired New Century Place Building 1 and 2 with 135 beds in Reading, the UK. The properties are near Reading University, one of the UK's top 30 universities. Together with the acquisition of New Century Place Building 3 in FY20/21, Mapletree now owns the entire New Century Place portfolio of 270 beds. Subsequently, in December 2021, Mapletree acquired Terrapin Row, a 1,493-bed student accommodation in Maryland, the US, situated near the University of Maryland, which ranks 58<sup>th</sup> nationally. This is our single largest student housing asset, which has high-quality specifications and is within walking distance of the university campus.

## Office acquisition and developments

With the easing of Covid-19 restrictions worldwide and the return of employees to the workplace, demand for quality office space continues to be robust. The Group focuses on locations where this demand is underpinned by the technology, healthcare as well as media and telecommunications sectors.

The Group also completed the refurbishment of 50 South Sixth, a 65,032 sqm building located in the heart of the Downtown Minneapolis CBD to elevate the safety, security and wellness of tenants.

In Singapore, Mapletree completed the restoration and adaptive reuse of St James Power Station (SJPS) which was started in 2018, and launched the SJPS Heritage Trail and Gallery, which showcases the history of SJPS, the evolution of HarbourFront Precinct, as well as restored maritime relics and an interactive digital art display. The work on SJPS focused on preserving the historical architectural elements of the iconic monument while integrating it with modern building technologies. The building is leased to Dyson as its global headquarters and research centre.

## Residential developments

In FY21/22, the Group continued to widen our residential portfolio in China. Construction of King's Residences in Guangzhou commenced in August 2021 and is slated for completion in late 2023. The seven blocks of high-rise residential towers and street-front shophouses are conveniently located near Metro station Line 21 and target young families and talent inflow from the Greater Bay Area. Another development under construction is Viva Riverside in Xinwu District, Wuxi, which is situated next to Metro station Line 2 and comprises 1,438 residential units and 165 strata title shop units.

## 4) MAPLETREE IS NOW ON THE LAST MILE OF ITS THIRD FIVE-YEAR PLAN. HOW IS THE GROUP PROGRESSING AND WHAT IS MAPLETREE'S FOCUS FOR THIS YEAR?

Although FY21/22 was characterised by a gradual, worldwide recovery from the pandemic, this was interrupted by rising inflation rates, persistent supply chain disruptions and geopolitical instability. Amid these challenges, the Group continues to invest in asset classes that provide a reasonable risk to reward ratio, especially as capitalisation rates across sectors remain low and interest rates rise.

The Group has now concluded the third year of our third Five-Year Plan, and I am pleased to share that we are on track to meet most of the targets.

Average ROIE<sup>1,2</sup> and Average ROE<sup>2,3</sup> since FY19/20 stand at 13.1% and 10.7% respectively, while our Average Recurring PATMI<sup>2,4</sup> increased to S\$732 million. Debt to equity ratio dropped 2.2 percentage points to 58.3% from 60.5% in FY20/21 due to the syndication of new funds and reinvestment of portfolios.

Logistics remains a primary focus for the Group. We have identified Vietnam as a key growth market with strong economic fundamentals favouring logistics growth. With the development of several logistics parks underway, over 100,000 sqm of GFA will be added to the portfolio. The Group is also acquiring more than 70 ha of land for the development of logistics facilities.

The Group will also continue to focus on the student accommodation sector due to its good long-term potential and identify suitable housing assets to bolster our portfolio. Currently, Mapletree has 57 student accommodation assets with over 24,000 beds located across 38 cities in Canada, the UK and the US.

In line with our business objectives to deliver consistent and high returns, Mapletree plans to sponsor more private funds and public-listed REITs to reinvest capital and develop quality investment products for our investors.

### 5) WITH ENVIRONMENTAL, SOCIAL AND GOVERNANCE, OR ESG, GAINING MOMENTUM IN RECENT YEARS, COULD YOU SHARE MORE ABOUT MAPLETREE'S SUSTAINABILITY STRATEGIES AND GOALS?

We recognise that climate change is a global phenomenon that requires the concerted efforts of governments, regulators, investors, corporates and individuals. As Mapletree is a global real estate player, what we do impacts people's lives, communities and the planet.

In FY21/22, we made a commitment to develop a "Net-Zero by 2050" roadmap. This includes embedding ESG considerations into key business policies, driving change through various energy and water reduction initiatives, and increasing the use of renewable energy across our portfolio. In addition, Mapletree<sup>10</sup> will participate in our inaugural Global Real Estate



Mapletree Kaifeng Logistics Park located in Henan Province, China.

Sustainability Benchmark (GRESB) Real Estate Assessment in 2022.

The Group continues to encourage the upskilling of all employees. In FY21/22, more than 4,900 training programmes were offered to Mapletree employees globally. In support of the transition to a more ESG-conscious organisation, the Group is developing in-house sustainability learning materials, which will be rolled out in the coming months. On the Corporate Social Responsibility front, the Group committed and disbursed over S\$2.3 million to various arts, education, environment, and healthcare initiatives in this financial year.

Lastly, Mapletree is determined to ensure that we uphold good corporate governance. In FY21/22, I am pleased to report that there were zero incidences of corruption or non-compliance with relevant laws and regulations.

### 6) WHAT ARE MAPLETREE'S PLANS BEYOND THE COMING YEAR?

The volatile macroeconomic and geopolitical environment means elevated uncertainty over the next few years. Accordingly, we will focus on strengthening our balance sheet through the strategic reinvestment

of capital via our private and public capital management vehicles. This will enable us to remain financially flexible as we face incoming challenges and capitalise on growth opportunities.

- 1 ROIE is computed based on adjusted\* PATMI over the Group's equity held at original invested cost (OIC).
- 2 From FY19/20 to FY21/22.
- 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 S\$ exchange rate as at date of fund inception.
- 8 Includes REIT management fees.
- 9 Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a widely adopted green certification system in Japan.
- 10 Several assets held under The HarbourFront Pte Ltd will participate in 2022's GRESB Real Estate Assessment.

\* 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.