

# Investor Presentation

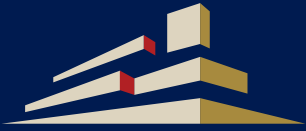
27 February 2024



ELITE COMMERCIAL REIT

Section I

# Overview of Elite REIT



ELITE COMMERCIAL REIT



Crown House, Romford

# Singapore-listed UK REIT

Government facilities providing critical services to local communities<sup>(1)</sup>



**100%**

Freehold and Long Leasehold Assets<sup>(2)</sup>



**Triple Net**

Full Repairing & Insuring Leases<sup>(3)</sup>



**3.8**

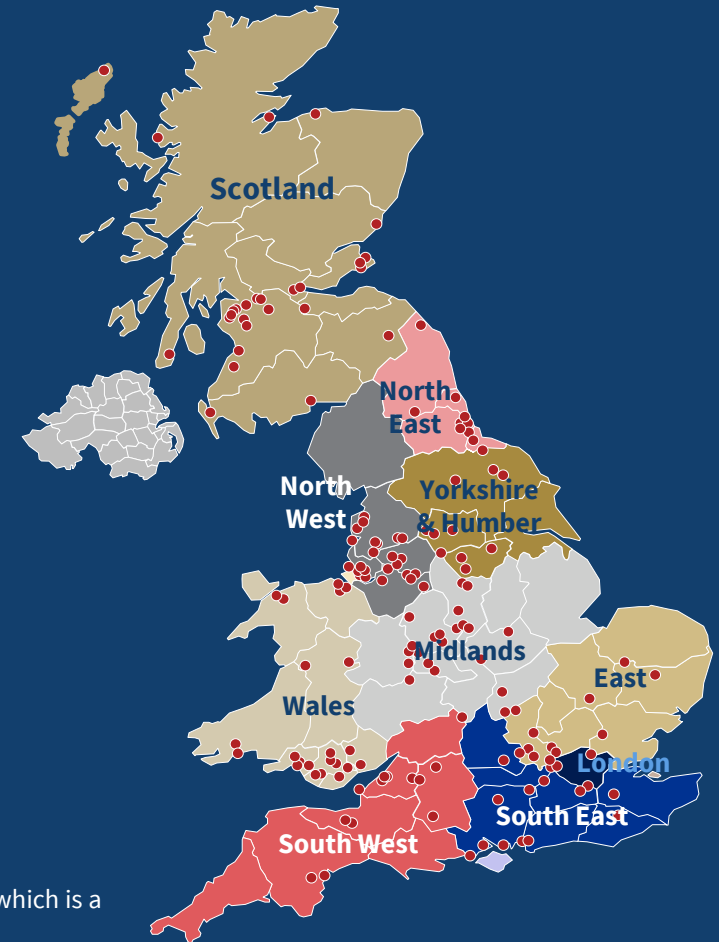
Million Square Feet of Net Lettable Area



**4.2**

Years Weighted Average Lease Expiry

**Geographically Diversified with a network of strategically well-located assets across the UK**



Elite REIT's Sponsors:



**Notes:**

- (1) A majority of the leases are signed with the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.
- (2) 145 properties are on freehold tenures and five properties are on long leasehold tenures.
- (3) Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant for occupied assets.

# Strong Support from Sponsors

- ✓ 89% of Preferential Offering backed by Sponsors and Substantial Unitholders; Sunway RE Capital became second largest unitholder post-Preferential Offering
- ✓ Each Sponsor has provided Elite REIT with a right of first refusal over all future UK commercial assets
- ✓ Elite REIT is able to leverage on the Sponsors' extensive real estate expertise, financial strength and strong sourcing capabilities in the UK

**SUNWAY**®

- Sunway RE Capital Pte. Ltd. is a wholly-owned subsidiary of Sunway Berhad – one of Malaysia's largest conglomerates with businesses in property development, property investment, REIT, construction, healthcare, hospitality, leisure, quarry, building materials, as well as trading and manufacturing
- Sunway Berhad Group comprises three public listed entities – Sunway Berhad, Sunway Construction Group Berhad and Sunway REIT



- Incorporated in 1996, Ho Lee Group Pte. Ltd. (“**HLG**”) has extensive experience across the real estate value chain, from general building construction to industrial and residential development
- HLG was one of the major sponsors of Viva Industrial Trust (which has since merged with ESR-LOGOS REIT) during its initial public offering and listing on the SGX-ST in November 2013



- Headquartered in Singapore, Elite Partners Holding is the holding company for Elite Partners Group, an alternative investment and asset manager specialising in niche opportunities and underserved markets
- The Group seeks to create sustainable, long-term value for its investors through its holistic ecosystem of business capabilities – Private Equity Fund Management, Real Estate Investment Trust (REIT) Management, and Asset and Facilities Management
- To date, the Group has managed assets in excess of S\$2 billion across seven countries, a 420% increase from where it started in 2017

Section II

# Key Priorities



ELITE COMMERCIAL REIT



Oates House, Stratford

# Key Priorities

## Management's focus areas in the near-term

01

### Proactive Asset Management

- Close out remaining dilapidation settlements and relet assets
- Seek planning consent for 'highest and best use' for assets with viable alternative uses
- Focus on high-value assets to unlock value and increase portfolio base
- Disposal with vacant possession or following reletting



02

### Capital Management

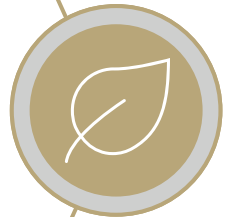
- Reduce gearing through capital recycling and proactive asset management
- Diversify funding sources by expanding financier relationships and accessing new sources of capital
- Opportunistic divestments to fund asset enhancement and manage gearing



03

### Future-proof our Assets

- Diversify lease expiry profile and extend leases ahead of expiries
- Expand the sustainability collaboration project to more properties
- Improve energy performance certificate ratings
- Explore co-location of selected properties with other government occupiers



04

### Improve Trading Liquidity

- Broaden research analyst and media coverage
- Step up investor engagement through regular investor roadshows and participation in webinars and conferences
- Improve liquidity via a larger asset base as Elite REIT grows in the future



# Asset Management Strategy

Active engagements with current and potential occupiers

## Proactive Tenant Engagement

### Focus on Tenant Retention

- Engage with various UK Government agencies in order to understand their requirements and to better meet their needs
- Develop collaborations that would be mutually beneficial to both occupiers and landlord

### Expand on Sustainability Collaboration

- Collaborate with the DWP to deliver asset enhancement works that will improve the energy efficiency of the DWP-occupied assets
- Broaden the successful sustainability collaboration with the DWP to other occupiers in our portfolio

### Diversify Lease Expiries and Income Profile

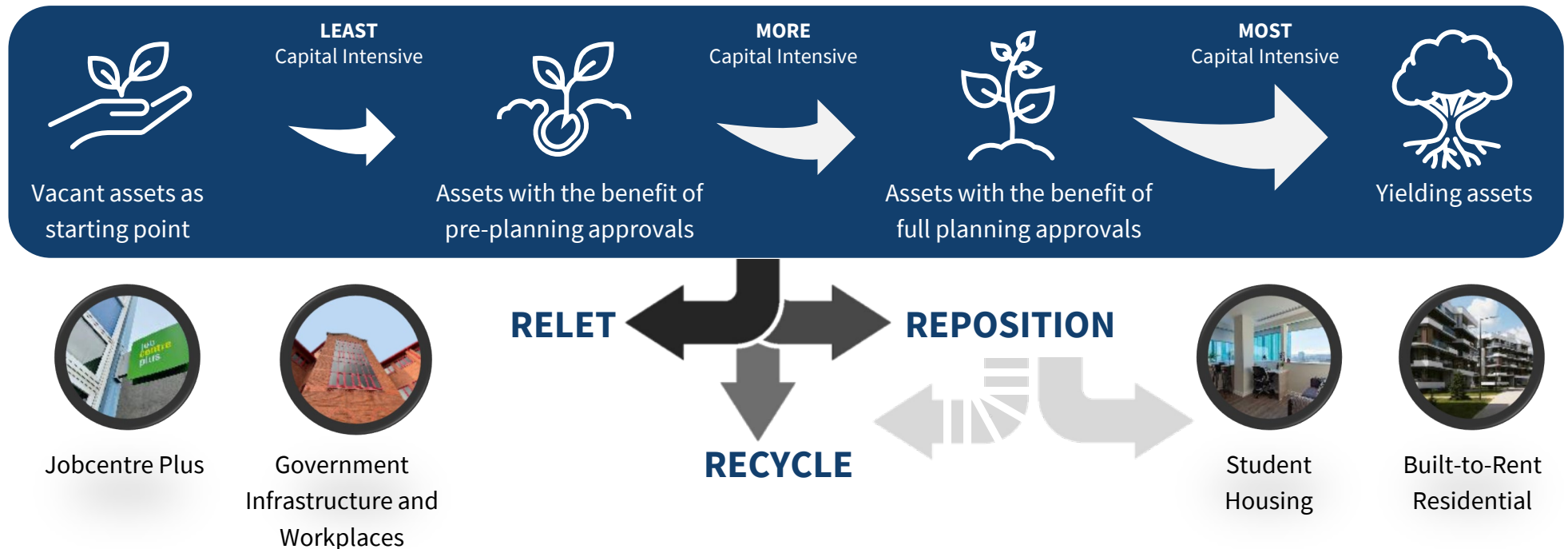
- Negotiate best outcomes on future lease renewals whilst seeking to diversify lease expiries and income profile



# Asset Repositioning Strategy

Vacant assets may be relet, repositioned or recycled

- ✓ Properties are located primarily in town centres, **close to transportation nodes and amenities**
- ✓ Properties may be **RELET** for commercial or other uses, or **REPOSITIONED** or disposed with capital **RECYCLED** back into the balance sheet
- ✓ Various potential alternative uses may be available for the assets, depending on the real estate market conditions and economic dynamics of the submarkets
  - Planning approvals will be sought for assets with viable alternative uses and such assets may be disposed with the benefit of approvals or held on for further redevelopment
  - Assets could benefit from the living sector themes of student housing and built-to-rent residential, which are currently undersupplied in certain markets and facing positive tailwinds





## Section III

# Key Credit Highlights



ELITE COMMERCIAL REIT



**Crown Building, Banbury**

# Key Credit Highlights

1

## **~100% of Income from AA-rated UK Government**

Primary occupier is DWP, entrusted to administer crucial welfare services

2

## **Secured Distributions**

Consistently achieved ~100% of rental collection in advance since listing

3

## **Strategically located Assets with Strong Fundamentals**

Predominantly freehold assets close to key transport nodes and amenities

4

## **Prudent Capital Management**

Diversification of funding sources and opportunistic divestments

5

## **Tax Efficient Structure and Natural Hedge**

Structured to be on par with other UK REITs with minimal currency mismatch

6

## **Anchored by Strong Governance**

Majority Independent Board of Directors overseeing Elite REIT's operations

# 1 Government-backed Income Stream

~100% of income derived from AA-credit rated UK Government



## Credit Stability & Income Certainty

Leases signed directly with the Secretary of State<sup>(1)</sup>



## Resilient Tenant Base

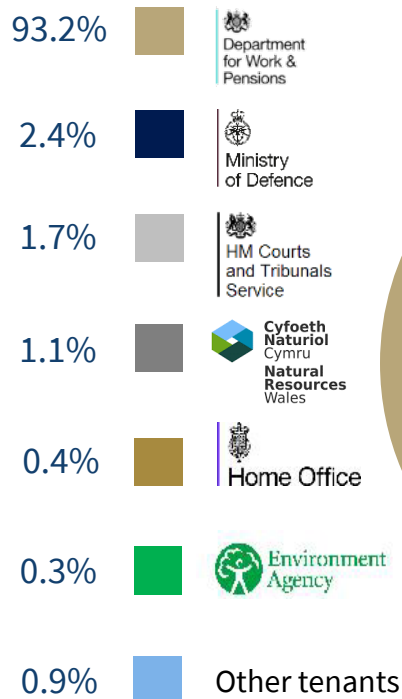
Tenancies backed by AA-rated UK sovereign credit strength



## Social Infrastructure

Primary occupier is UK's largest public service department

## Tenant Breakdown by Gross Rental Income<sup>(2)</sup>



## Department for Work and Pensions (“DWP”)

**DWP’s Mission:** To improve people’s day to day lives and help them build financial resilience and a more secure and prosperous future



Responsible for welfare, pensions and child maintenance policy



Administers the State Pensions & a range of working age, disability and ill health benefits

Services provided mainly through **Jobcentre Plus**

**£230.5 billion<sup>(3)</sup>** in benefits paid through the welfare system in 2022-2023

**~20 million** claimants served

**85,000** workers employed



### Notes:

(1) A majority of the leases are signed with the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.

(2) As at 31 December 2023.

(3) Gov.UK, Corporate report: DWP annual report and accounts 2022 to 2023, 7 Aug 2023.

# Crucial Social Infrastructure

For the provision of essential social welfare services by the DWP

## 1 Front of House – Primarily Jobcentre Plus and other ancillary services



### Jobcentre Plus – Usage highly correlated with unemployment

- Staff readily on hand to assist customers with mock interviews, “Back to Work” plan, etc.
- Computers and free wifi for customers to job-surf, write CVs or make claims



### Pension Services – Usage expected to increase as population ages

- Face-to-face meetings to claim benefits
- IT training to assist retirees with no internet access or difficulty using online services



### Child Maintenance Services – Stable usage regardless of economic conditions

- Face-to-face meetings to discuss more complicated child maintenance cases
- Registration and declaration of child maintenance received



### Disability Services – Stable usage regardless of economic conditions

- On-site medical examination centres as part of the Work Capability Assessment for disability benefit
- Training programmes such as Specialist Employability Support and Work and Health Programmes

88%

Front of House<sup>(1)</sup>



Department  
for Work &  
Pensions

## 2 Back of House – Various critical support functions



### Support functions – Usually larger, critical centres for supporting the administration of DWP services

- Service roll out planning (e.g. Universal Credit)
- Claims processing, finance and accounts
- Fraud detection and investigation
- Call centre and IT support

#### Note:

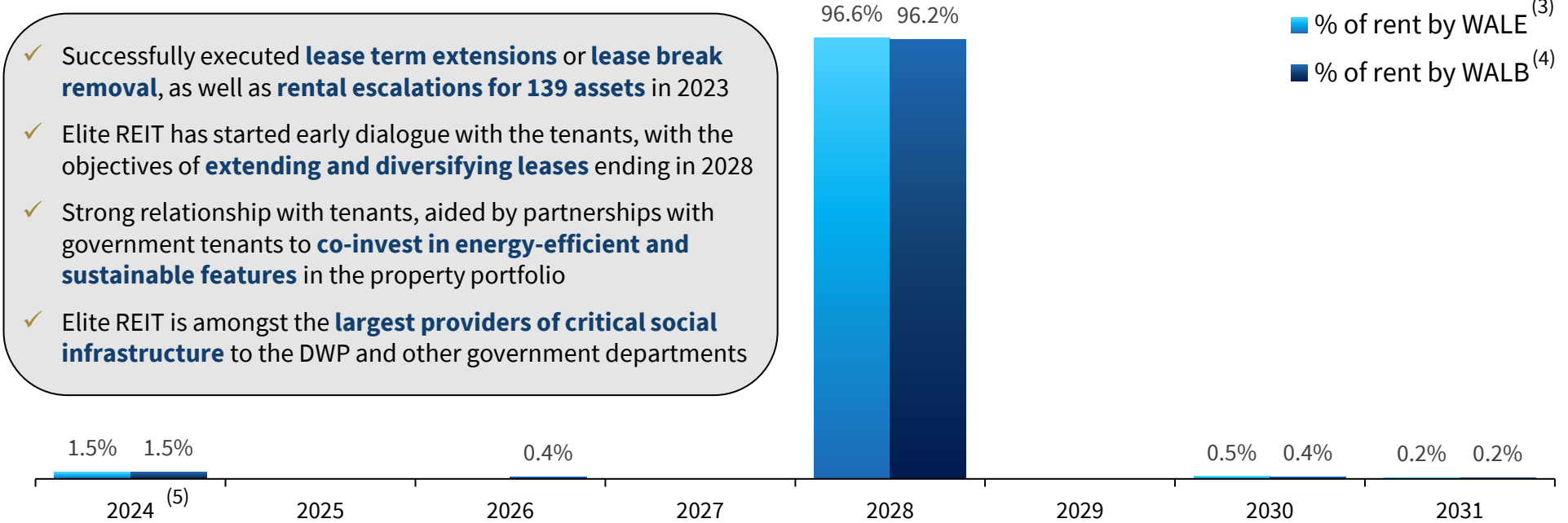
(1) 88.2% of DWP assets in the portfolio as at 31 December 2023.

# 2 Secured Distributions

Full income visibility; consistent rental collection in advance since listing

 <p>High Portfolio Occupancy Rate <b>92.3%</b></p>	 <p>On-time Advance Rent Collection <b>~100%</b></p>	 <p>Weighted Average Lease Expiry <b>4.2 years</b></p>	 <p>Lease Renewal of <b>5 years</b> Bradmarsh Business Park, Rotherham<sup>(1)</sup></p>	 <p>Lease Renewal of <b>5 years</b> Phoenix House, Bradford</p>
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## Lease Expiry Profile as at 31 December 2023 (% of total portfolio rent)<sup>(2)</sup>



**Notes:**

- (1) The renewal of the lease was for another five straight years with no lease break option, which commenced in 2023 and will mature in April 2028.
- (2) Small differences between the listed figures and total, arose from Phoenix House, Bradford which expired in Dec 2023 and was subsequently renewed in Jan 2024.
- (3) Percentage of rent by WALE (Weighted Average Lease to Expiry) is based on the final termination date of the lease agreement (assuming the tenant does not terminate the lease on the permissible break dates).
- (4) Percentage of rent by WALB (Weighted Average Lease to Break) is based on the earlier of the next permissible break date at the tenant's election or the expiry of the lease.
- (5) Total of two properties with lease expiry in June 2024, being Newport Road, Cardiff and Units 1-2 Dallas Court, Salford.

# 3 Diversified & Stable Portfolio

## Strategically located assets with strong fundamentals



### Geographically Diversified

Located across the UK covering regional cities



### Unique Asset Class

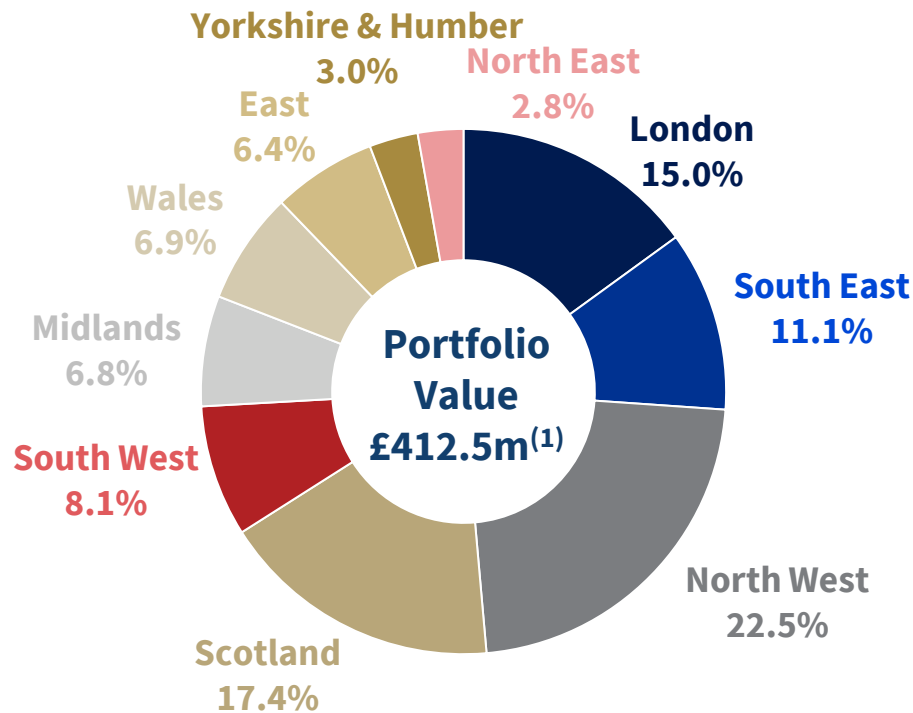
Network of social infrastructure assets serving the local communities



### Strategically Located

Assets located primarily in town centres, close to key transport nodes and amenities

## Geographical Breakdown by Valuation<sup>(1)</sup>



## Elite REIT's located on the London Elizabeth Line



**Note:**

(1) Asset valuation as at 31 Dec 2023, excluding the completed divestments of Openshaw Jobcentre, Manchester; Cardwell Place, Blackburn; Leeds Road, Bradford; John Street, Sunderland and Crown House, Burton On Trent as at 31 Dec 2023.

# 4 Prudent Capital Management

## Diversification of funding sources and opportunistic divestments



Naturally hedged against foreign exchange fluctuations



Compliant with all debt facilities' financial covenants

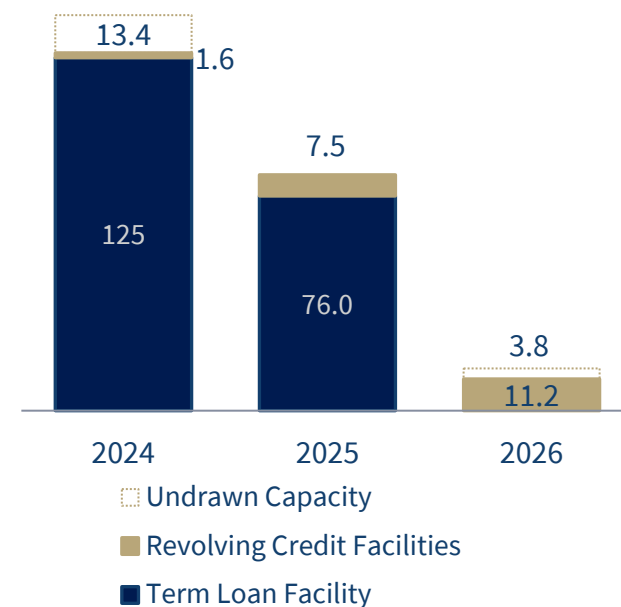
**66%**

Interest rate exposure fixed or hedged to fixed rates<sup>(1)</sup>

- ✓ **Advanced stages of credit approvals** with potential lenders on 3-year loan refinancing
- ✓ Every 100 basis points increase in interest rate will impact DPU by ~ 6%
- ✓ Every £5m of debt repayment will reduce gearing by ~49 basis points

	Pro-forma <sup>(1)</sup> 31 Dec 2023	31 Dec 2023	30 Sep 2023
<b>Total Debt</b>	£193.3m	£221.3m	£223.5m
<b>Net Gearing Ratio<sup>(2)</sup></b>	40.9%	47.5%	44.9%
<b>Borrowing Costs</b>	5.1%	5.2%	5.3%
<b>Interest Coverage Ratio</b>	3.1x	3.1x	3.3x
<b>Interest Rate Hedged / Fixed</b>	66%	63%	62%
<b>Available Debt Headroom<sup>(3)</sup></b>	£55.9m	£0.1m	£40.0m

### Elite REIT's Debt Maturity Profile



#### Notes:

- (1) Including the effects of the £28 million Preferential Offering.
- (2) Net gearing is calculated as aggregate debt less cash over total assets less cash. Aggregate Leverage calculated as per the Property Funds Appendix would be 43.7% including the effects of the £28 million Preferential Offering and 50.0% as at 31 Dec 2023 respectively.
- (3) Based on gearing limit of 50%.

# Proactive Steps for Stronger Footing

## Proactive Capital and Asset Management Activities in FY2023

**Apr 23**

Successful rental uplift of 136 assets, of which 134 had CPI-linked rent escalations. Of the 134 assets, 11 have agreed rent reductions in exchange for the removal of break options

**Jun 23**

Recycled gross proceeds from dilapidation settlements received for four assets were largely channeled towards executing ongoing asset management strategy and reducing gearing

**Oct 23**

Divestment of five assets have been realised for an aggregate sale consideration of £3.4 million, representing approximately 12.2% premium to the valuation of the five assets<sup>(1)</sup>

**Oct 23**

Recycled gross proceeds inclusive of dilapidation settlements for nine assets, which amounted to £11.4 million were used to repay loans

**Dec 23**

£28 million Preferential Offering of 103,354,690 units at an issue price of £0.27 per unit on SGX-ST, lowering gearing ratio and solidifying capital structure

**Note:**

(1) Based on the valuation as at 31 July 2023 for the five divestments.



# 5 Tax Efficient Structure & Natural Hedge

On par with other UK REITs with minimal currency mismatch

## 1 Successful technical listing

UK entity, Elite UK Commercial Holdings Limited (“**ECHL**”), was listed on The International Stock Exchange with effect from 26 Aug 2021

### Immediate Benefits:



#### Lower tax expenses

Reduced applicable headline tax rate to 15%<sup>(1)</sup>

### Future Benefits:



#### Protects from future tax rises

Exemption from UK corporation tax, which is currently at 25% as at 1 April 2023



#### On future corporate acquisitions

Any unrealised gains<sup>(2)</sup> on the properties upon entry is expected to be eliminated

#### Notes:

- (1) Pursuant to the Double Taxation Treaty between the UK and Singapore, any UK withholding tax applicable on UK property income distributed by ECHL to Elite REIT is expected to be limited to 15%.
- (2) And its corresponding provision of deferred tax liabilities.

2

## Naturally hedged against forex fluctuations



Assets and liabilities as well as declared distributions are denominated in **Pound sterling**

3

## Largely insulated from interest rate hikes

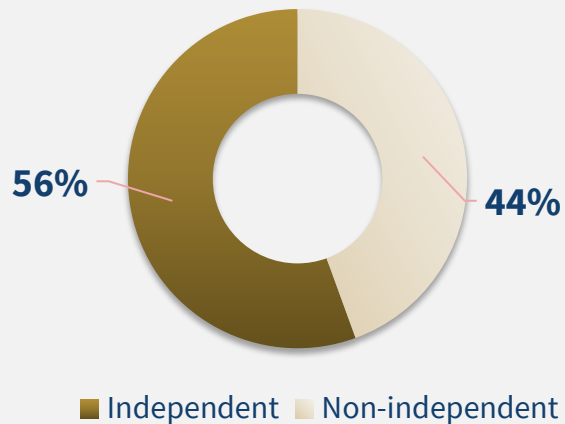


**66% of interest rate exposure** is fixed or hedged to fixed rates

# 6 Anchored by Strong Governance

In driving sustainable value and performance

## Board Independence



9 Board Members



Chairman of the Board is an Independent Director and also chairs the Sustainability Committee



56% of the Board are Independent Directors

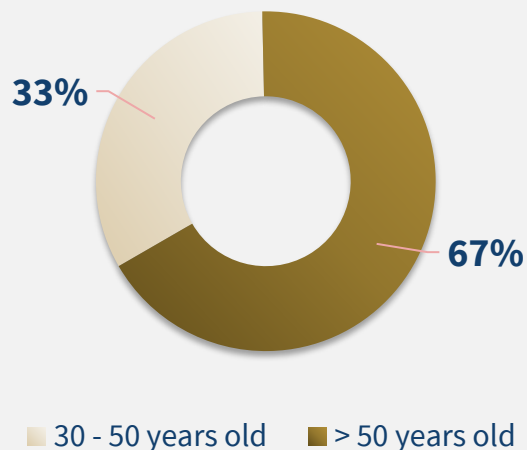


All members of the Audit and Risk Committee (“**ARC**”), including the Chairman of the ARC, are Independent Directors



Chairman of the Nominating and Remuneration Committee (“**NRC**”) is an Independent Director

## Board Age Composition



## Sustainability Governance Structure



*\*Members include representatives from across the business functions: Investor Relations, Asset Management, Finance and Compliance.*

## Section IV

# Key Financial Highlights



ELITE COMMERCIAL REIT



High Road, Ilford

# Key Highlights of FY2023

## What Elite REIT delivered in FY2023

### 1 Successful £28m Equity Fund Raising



Launched in Dec 2023 and first EFR to be completed in 2024



First GBP-denominated follow-on EFR on the SGX

**121%**

Subscribed

**89%**

Backed by sponsors and substantial unitholders

### 2 Completed Lease Re-gearing



Executed lease term extensions or lease break removals



Partnership with tenant to co-invest in energy-efficient and sustainable features

**13.1%**

Rental escalation achieved across 136 assets in the portfolio

### 3 Recycled Gross Proceeds of £11.4m<sup>(1)</sup>



Recycled capital through disposal of vacant assets to unlock value



Agreed reasonable dilapidation settlements of £8.0 million



Disposal value completed at 12.2% above valuation

### PRO-FORMA FY2023 CAPITAL MANAGEMENT

Including the effects of the £28m Preferential Offering



Net Gearing<sup>(2)</sup>

**40.9%**

31 Dec 2023: 47.5%  
31 Dec 2022: 44.9%



Interest Coverage

**3.1 times**

31 Dec 2022: 4.6 times



Fixed Rate Debt

**66%**

31 Dec 2023: 63%  
31 Dec 2022: 69%



Debt Headroom

**£55.9 million**

31 Dec 2022: £40.0 million

#### Notes:

(1) Includes dilapidation settlements and gross disposal proceeds from the divestment of assets.

(2) Net gearing is calculated as aggregate debt less cash over total assets less cash. Aggregate Leverage calculated as per the Property Funds Appendix would be 43.7% including the effects of the £28 million Preferential Offering and 50.0% as at 31 Dec 2023 respectively.

# Key Highlights of FY2023



## ACTUAL FY2023



Revenue

**£37.6 million**

31 Dec 2022: £37.1 million

▲1.5% y-o-y



Net Property Income

**£41.4 million**

31 Dec 2022: £35.7 million

▲15.7% y-o-y



Net Asset Value

**£0.43 per Unit**

31 Dec 2022: £0.52 per Unit

▼17.3% y-o-y



Distributable Income

**£18.0 million**

31 Dec 2022: £23.1 million

▼21.9% y-o-y



Distribution per Unit<sup>(1)</sup>

**3.42 pence**

31 Dec 2022: 4.81 pence

▼28.9% y-o-y

### Note:

(1) Based on 100% payout ratio. At 90% payout ratio, the DPU in respect of FY2023 is 3.07 pence.

# Financial Highlights – FY2023 vs FY2022

Financial Results	2H 2023	2H 2022	Change %	FY2023	FY2022	Change %	Factors influencing y-o-y performance
	Actual £'000	Actual £'000		Actual £'000	Actual £'000		
Revenue	18,539 <sup>(1)</sup>	18,367	▲ 0.9	37,637 <sup>(1)</sup>	37,075	▲ 1.5	• Higher revenue derived mainly from rent escalations, offset by eight assets vacated in Apr 2023
Net Property Income	21,367 <sup>(1)</sup>	17,639	▲ 21.1	41,364 <sup>(1)</sup>	35,741	▲ 15.7	• Dilapidation settlement in respect of vacated assets
Amount generated during the period for distribution to Unitholders	8,703	10,852	▼ 19.8	18,043	23,096	▼ 21.9	• Increased borrowing costs, offset by decline in debt levels
Available Distribution per unit (“DPU”) - pence	1.48 <sup>(2)</sup>	2.25	▼ 34.2	3.42 <sup>(2)</sup>	4.81	▼ 28.9	• Marginally enlarged equity base y-o-y

Financial Position	31 Dec 2023 £'000	31 Dec 2022 £'000
Non-current assets	414,202 <sup>(1)</sup>	460,042
Current assets	29,841	26,753
<b>Total assets</b>	<b>444,043</b>	<b>486,795</b>
Non-current liabilities	95,245	216,468
Current liabilities	141,556	22,426
<b>Total liabilities</b>	<b>236,801</b>	<b>238,894</b>
<b>Net assets / Unitholders' funds</b>	<b>207,242</b>	<b>247,901</b>

Financial Position	31 Dec 2023	31 Dec 2022
Units in issue and issuable	483.0m	481.1m
<b>Net asset value per Unit<sup>(3)</sup></b>	<b>£0.43</b>	<b>£0.52</b>

**Notes:**

- (1) Includes £317,000 of straight-line rent adjustments.
- (2) Based on 100% payout ratio. At 90% payout ratio, the DPU in respect of 2H 2023 and FY2023 are 1.33 pence and 3.07 pence, respectively.
- (3) Pro Forma units in issue and net asset value per unit, including the effects of the £28 million Preferential Offering, will be 586.3 million units and £0.40, respectively.



Acacia Walk, Nottingham

# Thank You

For enquiries, please contact:

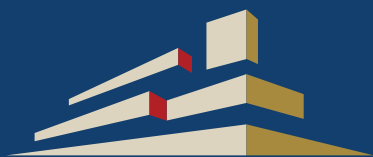
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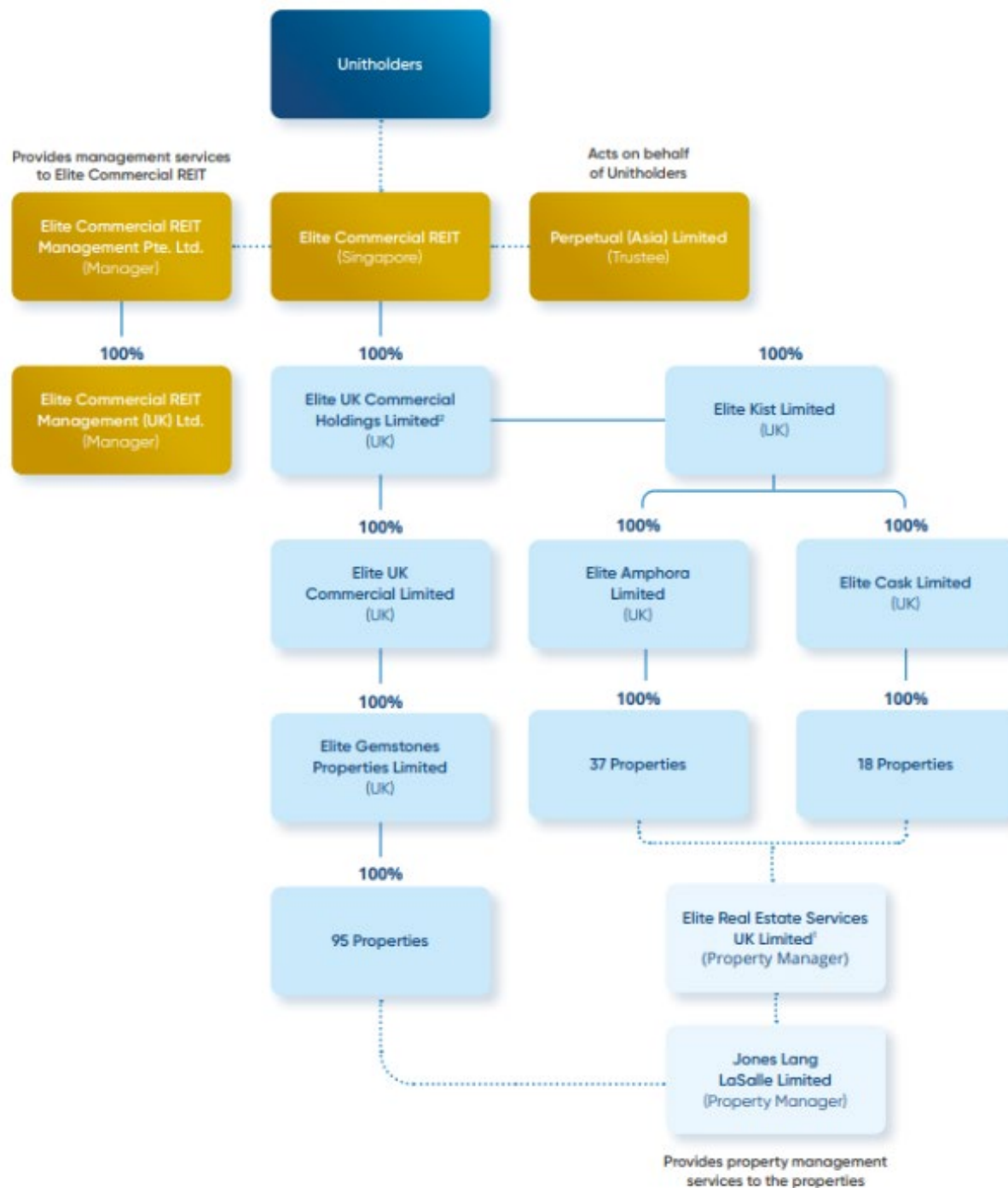
Section V

# Appendix

Peckham High Street



# Elite REIT's Structure



## Notes:

1. Elite Real Estate Services UK Limited has been appointed Property Manager to Elite Amphora and Elite Cask Limited.
2. Elite UK Commercial Investments Limited (UK), a wholly owned subsidiary of Elite UK Commercial Holdings Limited, is currently undergoing liquidation and will exit the REIT Structure.

# Typical Lease Arrangements for the UK Office Sector



- **Lease terms:**
  - Lease terms are fixed and typically for 5-10 years.
- **Rent increase/review:**
  - Rents are reviewed against the open market rent typically every 5 years. Reviews for shorter leases may be more frequent. Commercial leases typically impose upward only rent reviews which allow for rents to be increased but never decreased.
- **Service charge:**
  - The tenant is responsible for pro-rated share in addition to the rent, payable quarterly.
- **Break clauses:**
  - The landlord may grant a break clause which gives one or either party the right to end the lease sooner by giving notice either at any time or between specified dates.
- **Assignment/Subletting:**
  - Landlords' approval for subletting and assignment is generally not to be unreasonably withheld but parameters are set out in the lease terms. Subleases are often granted outside the protection of the Landlord and Tenant Act 1954 (as amended).
- **Repairs and insurance:**
  - Usually, the tenant will have direct responsibility for repairing the internal parts included in the lease terms and the landlord will agree to repair and insure the external structure and the common parts retained by the landlord. The landlord's costs for repairs and insurance are typically borne by the tenants via the service charge.
  - Tenants will usually be made responsible for the regular redecoration of the premises let out under the leases.
- **Alterations:**
  - The landlord may restrict alterations that can be made to the demise and alterations will usually require the landlord's consent. The landlord has the right to insist that the tenant removes the alterations and restores the premises at the end of the lease.
- **Dilapidations:**
  - The tenant has the responsibility to return the building to its original condition at the end of the lease. The term 'dilapidations' is normally used to cover defects and disrepair that the tenant will be required to deal with or pay to have remedied when they vacate the premises at the end of the lease. Landlords cannot generally make dilapidations claims earlier than three years before the end of the lease.

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