



A MEMBER OF THE TECITY GROUP

# **CORPORATE PRESENTATION**

**August 2019**

2Q 2019

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## CONTENTS



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## 2Q 2019 HIGHLIGHTS

# 1H2019 KEY HIGHLIGHTS

1H2019 PAT  
S\$47.6 million

## 1 In line with last period

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- **SRE:** Higher recurrent earnings on the back of growing investment property portfolio
- **ARA:** Higher share of profit from ARA in 1H2019 of S\$24.3 million
- **Resources:** MSC's PAT increased 106% yoy to S\$4.8 million

## 2 Continuing to value-add to property portfolio

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- Scaling up logistics assets portfolio in Australia and South Korea
- On-going asset enhancement on office properties in Australia (320 Pitt Street and 45 St Georges Terrace)

## 3 Driving sustainable return on equity

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- Continue recycling capital from low yielding assets
- Seek to capitalise on the resilient Good Class Bungalows market



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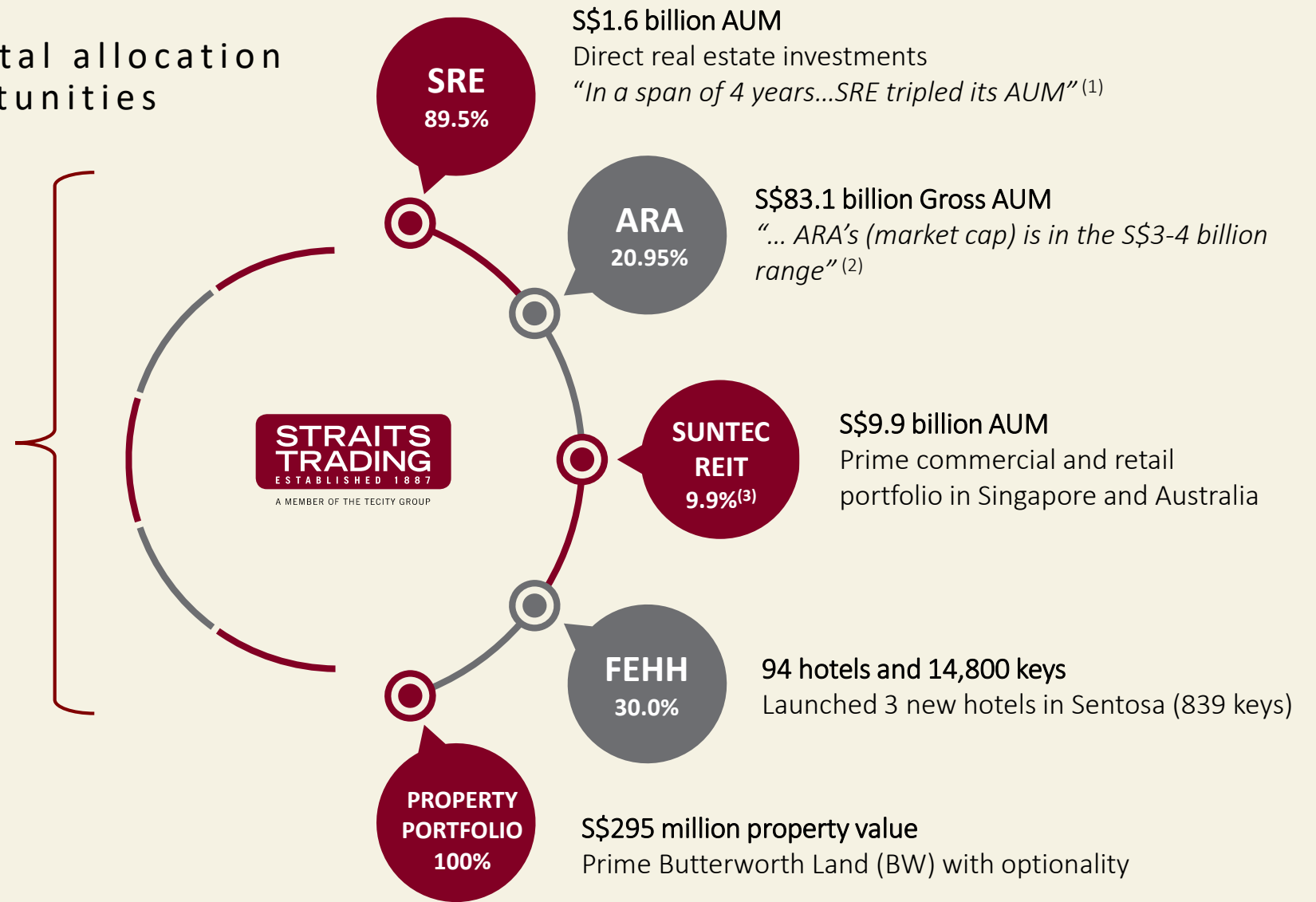
# BUSINESS HIGHLIGHTS

REAL ESTATE ECOSYSTEM

# REAL ESTATE ECOSYSTEM

Structured for efficient capital allocation & enhanced access to opportunities

1. Enhanced deal flows
2. Capital recycling opportunities along real estate value chain
3. Multiple platforms with cross-fertilisation



(1) Philip Capital in "STC: Burgeoning Real Estate Conglomerate", Research Note, June 2019.

(2) John Lim in "Taking Charge of the Family's Wealth", Business Times, July 2019.

(3) Aggregate interest in Suntec REIT including deemed interest through ARA group companies.

# STRAITS REAL ESTATE

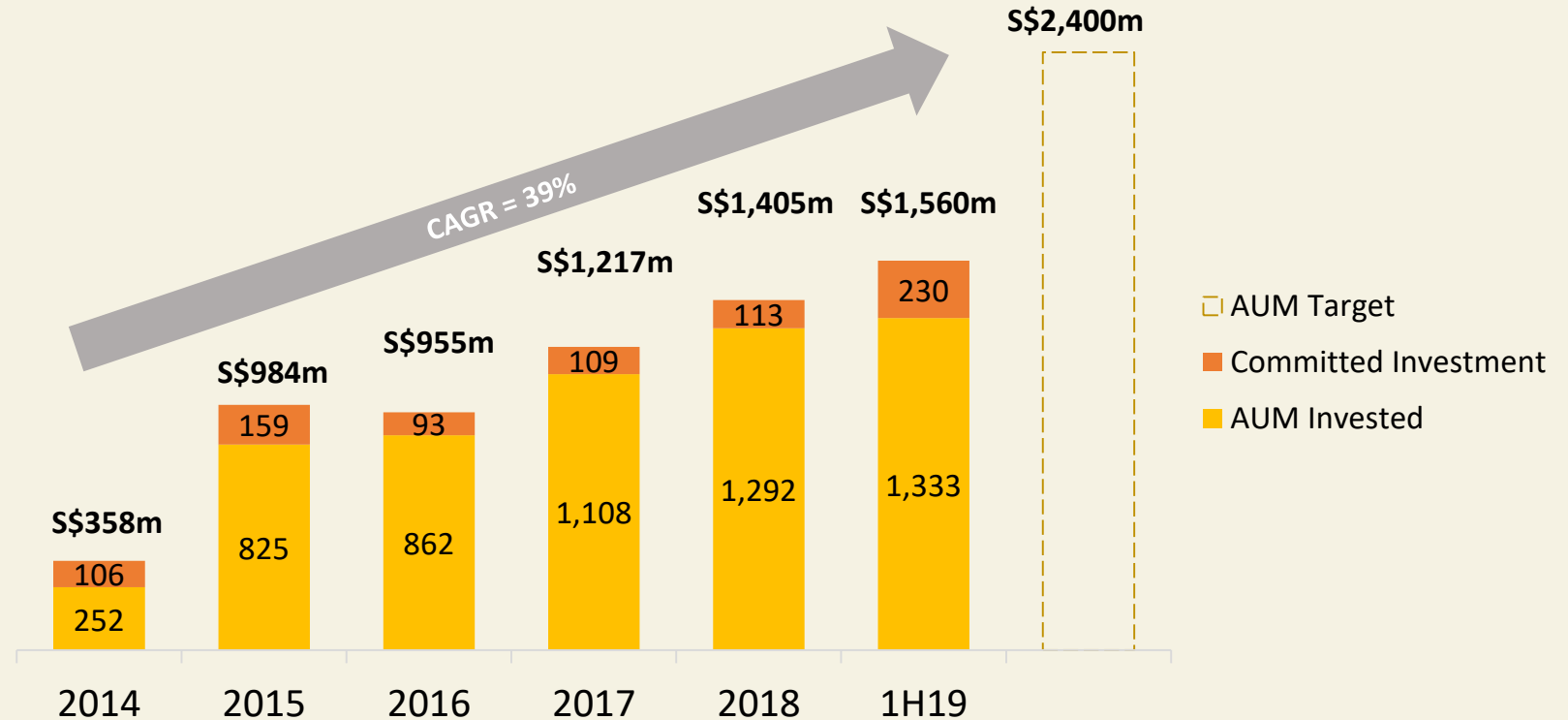
A growing global real estate investor

## Nurturing Platforms

(as of June 2019)

- **S\$1.6 billion**  
AUM
- **S\$680.1 million**  
Net capital invested
- **S\$2.4 billion**  
AUM target
- **Return in 2018**  
5.5% ROIC  
8.0% ROE

## SRE AUM Growth (S\$m)





# STRAITS REAL ESTATE

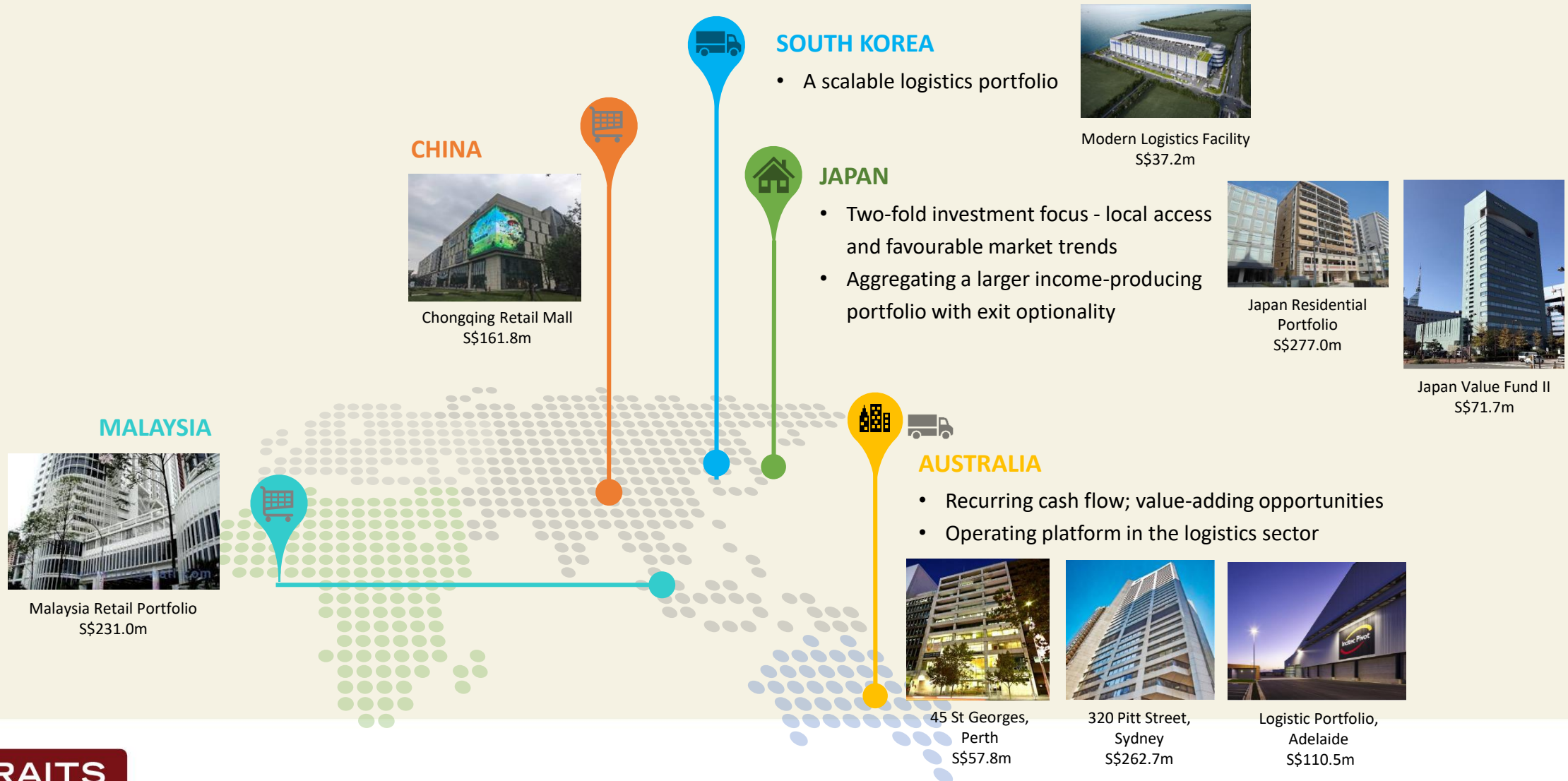
Access to and identify opportunities with unrealised latent value

- Leverage shareholders' strong network for wide opportunity set
- Anchored on prudent underwriting, optimal deal structuring and platform partnership
- Enhance asset value via proactive asset management
- Diversified investment portfolio driven by positive sector outlook

	Office	Logistics	Residential	Retail
Australia	Capitalising on buoyant office sector across key cities	Development of built-to-suit facilities catering to MNCs' long term requirements		
Korea		Fulfilling growing demand for modern logistics faculties		
Japan	Benefiting from increasingly tight regional office markets		Continued urbanisation trend and sustained leasing demand	
China				Geared towards growing private consumption
Malaysia				Resilient retail sales trend for suburban malls

# STRAITS REAL ESTATE

Focused diversification within the value-add space

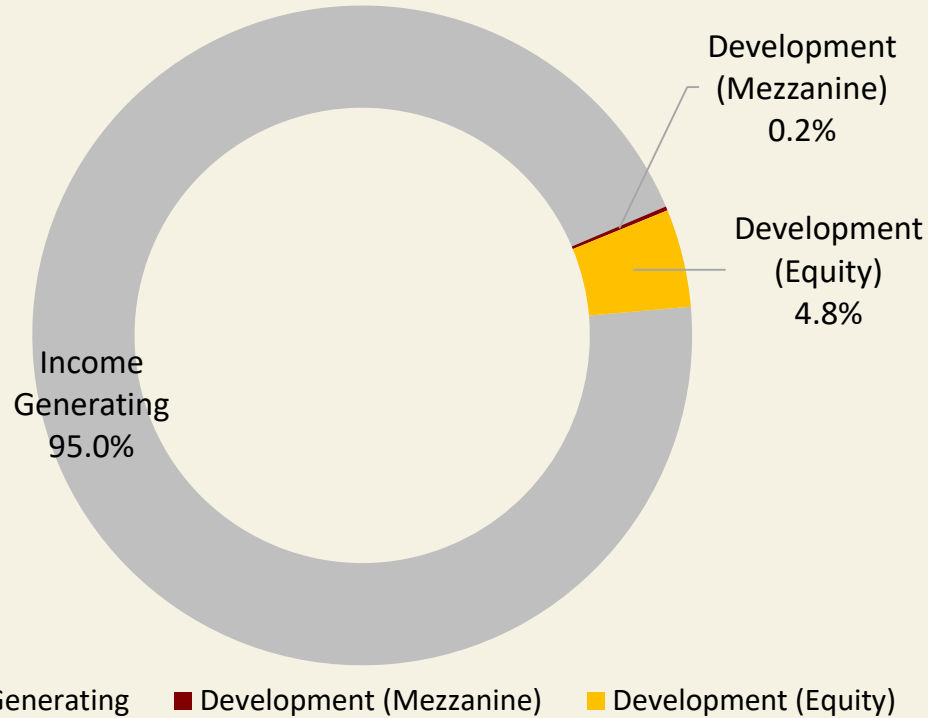


Note: Figures represent SRE's pro-rata share of property value as of 30 June 2019

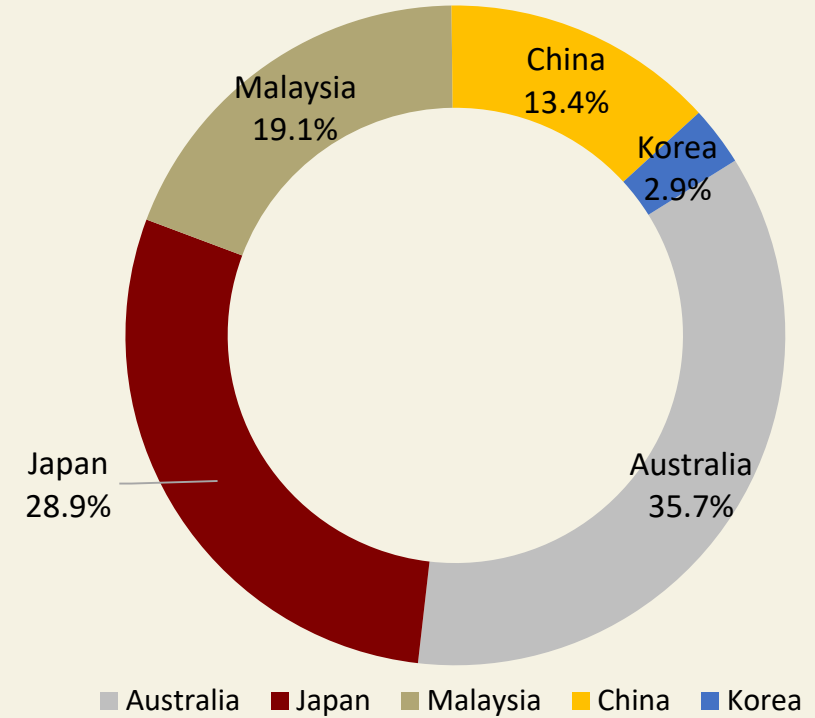
# SRE ASSET ALLOCATION

Development vs income generating assets<sup>(1)</sup> and country allocation

## Development vs Income Generating<sup>(1)</sup>



## Allocation by Country<sup>(1)</sup>

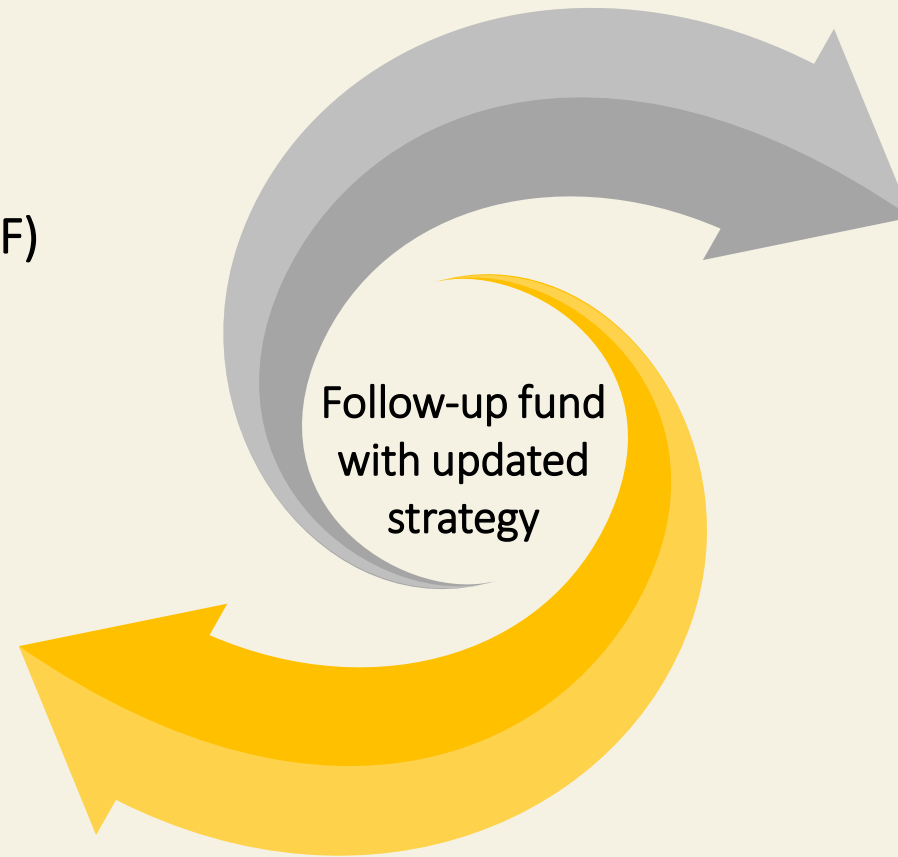


# JAPAN STRATEGY

Recycle capital into assets with higher gains potential

## Successful divestment of the Greater Tokyo Office Fund (GTOF)

- Acquired 47.5% stake in a portfolio of office properties in June 2015
- Portfolio fully divested in FY2018; crystallised valuation gains of S\$35.0m



## Established Japan Value Fund II

- Redeployed capital into a larger portfolio in June 2018
- Updated mandate to acquire office and other assets in the Greater Tokyo and other key cities in Japan
- Invested ~JPY2.4bn out of JPY8.0bn in committed capital

# AUSTRALIA STRATEGY

Seeking assets with strong immediate cashflow and value-adding opportunities

## Added prime located assets in Sydney & Perth CBD in 2017

320 Pitt Street  
(Sydney CBD)



- Ongoing asset enhancement works

45 St Georges Terrace  
(Perth CBD)



- Leveraging on recovering office sector
- Occupancies over 90%

## Entry into Australia's vibrant logistics segment in 2018

- Joint venture with Commercial & General (C&G)
- 80% interest in the initial portfolio of 5 logistics properties; total value AUD137.5m



L: Port Adelaide Property  
(Incitec Pivot Centre)  
R: Salisbury Property  
(Coca-Cola Amatil)

Property	Tenant	Area (sqm)	Completion
Port Adelaide Property	Incitec Pivot Centre	17,251	NA
Bayswater Property	Siemens (anchor tenant)	30,555	NA
Salisbury Property	Coca-Cola Amatil	46,469	NA
Kilkenny Property	OI Glass	50, 277 (land)	4Q2019
Land Parcel (Salisbury)	To be developed	151,900 (land)	NA
Adelaide Property (Built-to-suit)	To be developed (long term lease to blue-chip tenant)	37,958 (land)	3Q2020

# KOREA STRATEGY

## “Build-to-core” strategy for Korean Logistics

- Investment platform agreement with IGIS Asset Management, one of the largest asset managers in Korea with AUM of ~USD22 billion
- Strong appetite for core logistics assets with transactions at ~5.5% - 6.0% yield
- 94.7% interest in the Investment Vehicle with an initial commitment of ~KRW104.2 billion (~S\$120 million)
- Expected portfolio size of up to KRW400 billion (~S\$462 million) once capital is fully deployed

Seed Asset	Freehold land to develop into a modern 5-storey ramp up logistics facility
Ownership	50%
Description	Located in Incheon, South Korea, approx. 8 km from the air cargo terminal of Incheon International Airport
Land Details	~ 62,000 m <sup>2</sup> ; freehold
GFA	~190,000 m <sup>2</sup>
Construction Cost	De-risked with guaranteed maximum price with main contractor
Target Completion/TOP	Construction to commence in July 2019 and is targeted to complete in FY2021



*Artist's impression of Seed Asset*

*Aims to develop a scalable logistics portfolio with combined initial capital commitment of S\$220 million (together with logistics platform in Australia)*

# ARA ASSET MANAGEMENT

Accelerated expansion since privatisation

## 2017<sup>(1)</sup>

A premier **real estate** fund manager

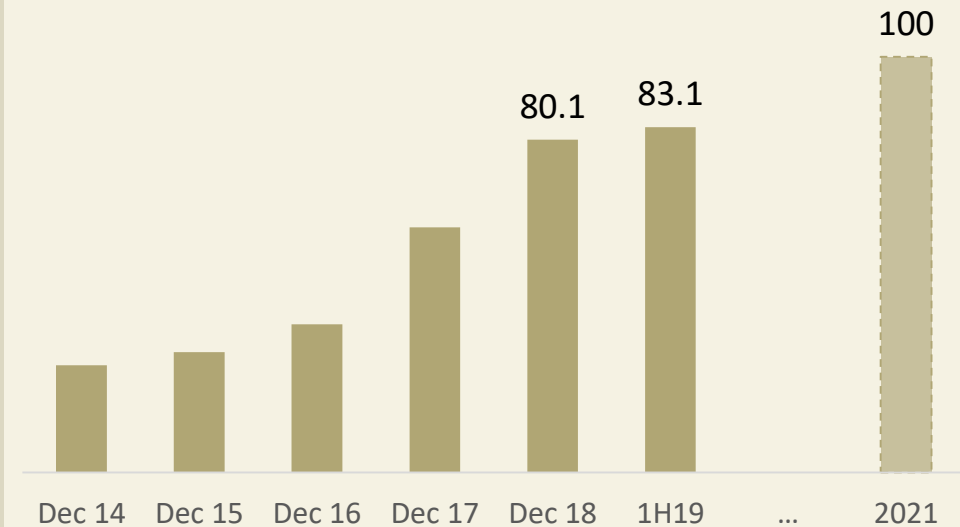
- 21 cities
- 8 countries
- Asia Pacific presence
- 11 REITS
- 9 private real estate funds
- AUM S\$40 billion

## 2018

A premier global **real assets** fund manager

- **Over 100 cities**<sup>(2)</sup>
- **23 countries**<sup>(2)</sup>
- **Global presence**
- **20 REITS**<sup>(3)</sup>
- **Over 70 private real estate funds**<sup>(3)</sup>
- **Gross Assets S\$80.1 billion**<sup>(4)</sup>

Gross Assets (S\$ billion)



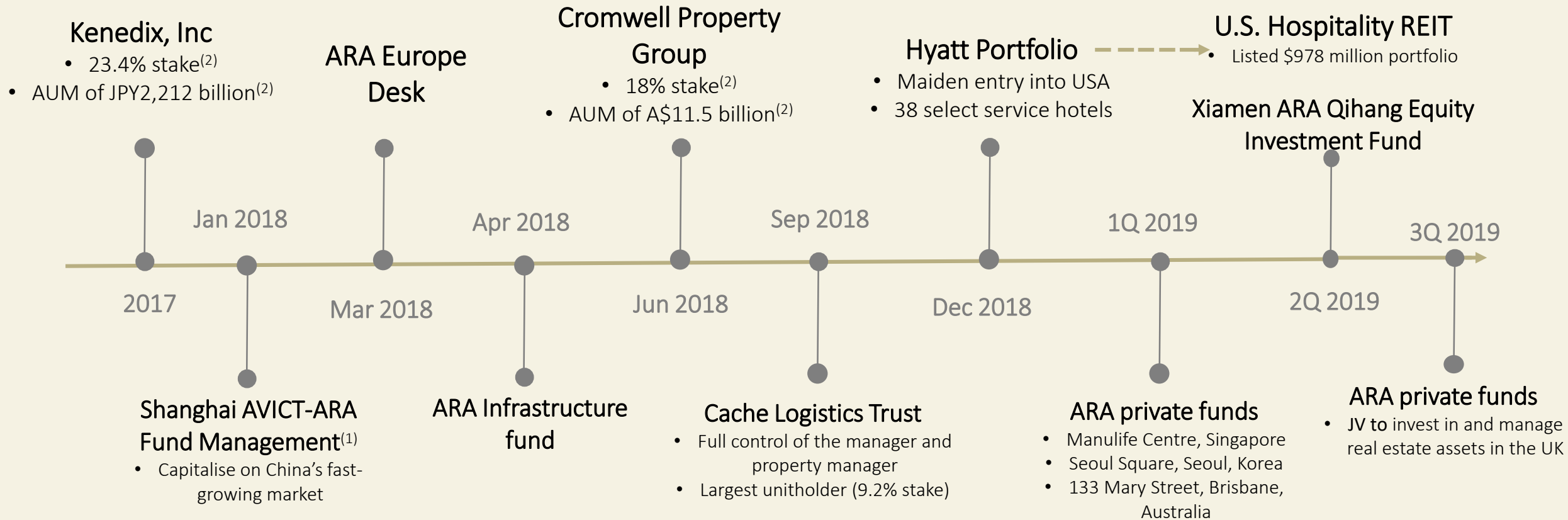
Aiming “to achieve an AUM of \$100 billion by 2021...”<sup>(5)</sup>

Sources:

- (1) Press release by ARA Asset Management “ARA Establishes European Platform” dated 1 March 2018
- (2) ARA website <http://www.ara-group.com/>
- (3) Press release by ARA Asset Management “ARA Group completes acquisition of 19.5% interest in Cromwell” dated 4 June 2018
- (4) Includes assets under management by ARA Asset Management Limited and the Group of companies (“ARA Group”) and its Associates and Joint Ventures as at 31 December 2018
- (5) The Business Times “Steadfast about growth” 25 August 2018

# ARA ASSET MANAGEMENT

A multi-platform, multi-product global funds management platform



Source: Press release by ARA Asset Management "ARA Group completes acquisition of 19.5% interest in Cromwell" dated 4 June 2018

(1) Mingtiandi, 5 June 2018

(2) Per latest company announcements



# FAR EAST HOSPITALITY HOLDINGS

A scalable platform that allows us to tap into growth in the hospitality industry

- 70-30 JV between Far East Orchard Limited and STC
- Hospitality partnership with Toga Group
- A premier hotel owner and operator
- 9 brands across 7 countries and 25 cities



## FY2018

- Secured contracts for 2,600 rooms in Australia, Germany, New Zealand, Singapore and Switzerland
- Opened 4 properties in Australia
- **Maiden foray into Japan:** Joint acquisition of a 306-room hotel project in Ariake, Tokyo (Expected completion in Q2 2020)

## FY2019

### Scheduled Openings

- New openings of ~1,200 beds in Singapore and Australia
- **Opened in April 2019:**
  - Village Hotel, Sentosa
  - The Outpost Hotel, Sentosa
- Scheduled:
  - The Barracks Hotel, Sentosa
  - Adina Apartment, Southbank Melbourne
  - Hotel Vibe Hotel, Darling Harbour

## By 2023<sup>(1)</sup> (Targets)

### 2021<sup>(2)</sup>

- 120 properties
- >19,000 rooms

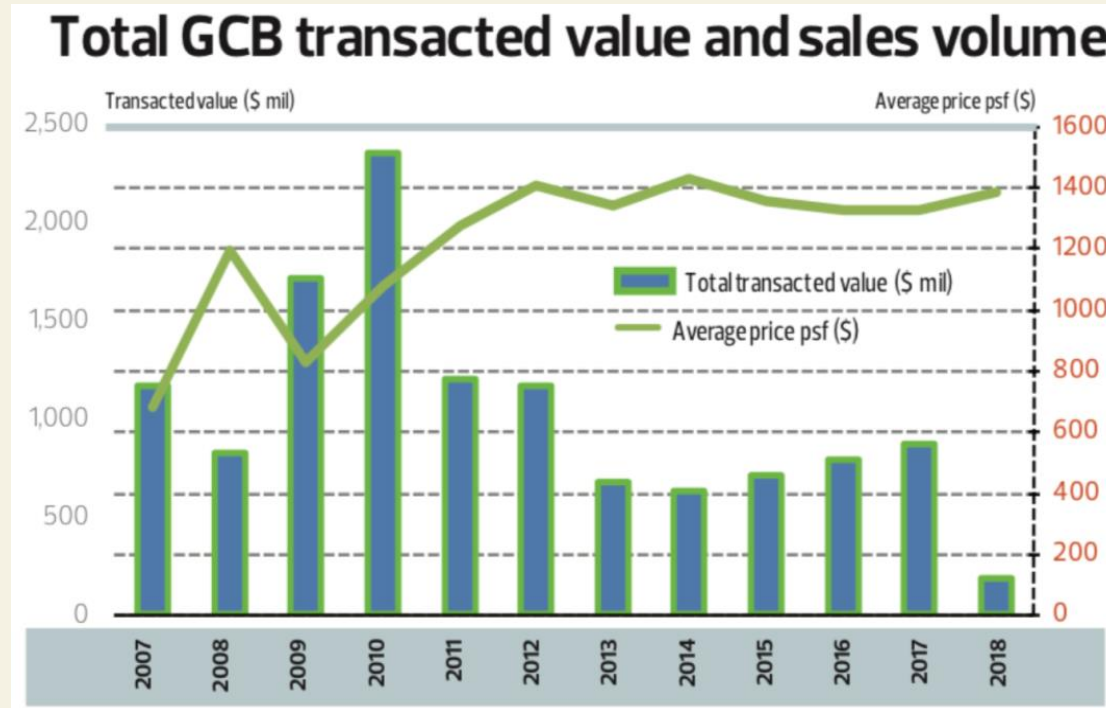
### 2023

- 150 properties or 30,000 rooms

# PROPERTY PORTFOLIO

Singapore & Malaysia Property Portfolio – To monetise and redeploy capital

- Divested 3 units at Gallop Green above valuation
- Continue to seek opportunistic sale of Good Class Bungalows (GCBs)
- Singapore bungalows and apartments valuation at S\$249.8 million
- Malaysia properties<sup>(1)</sup>: S\$45.4 million
- Average Good Class Bungalow (GCB) transacted at S\$1,515 psf in 2018, 14% above the S\$1,330 psf registered in 2017<sup>(2)</sup>

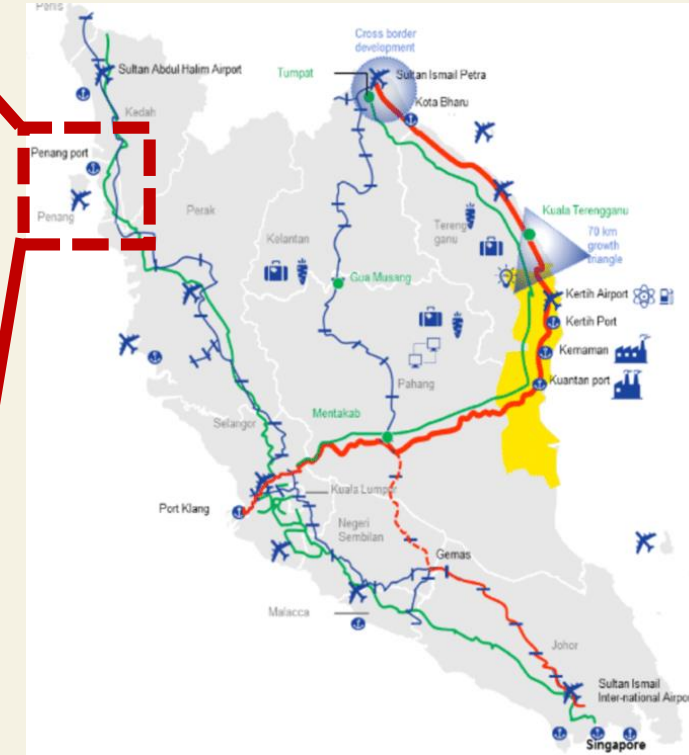


(1) Including STC's land parcels at Butterworth, Penang  
 (2) Estimation by RealStar and List Sotheby's (Source: URA, Business Time articles)

# PROPERTY PORTFOLIO

Unlocking value of prime land in Butterworth, Penang

- Non-binding MOU with MSC to jointly explore options to unlock the value of freehold land in Butterworth, Penang
- Land size: 40.1 acres (STC: 26.2 acres; MSC: 13.9 acres)
- Prime location:
  - 5 to 10 min drive to the newly launched integrated transportation hub, Penang Sentral
- Penang Draft Master Plan 2030: Butterworth earmarked as an extension of George Town



# PROPERTY PORTFOLIO

Unlocking value of prime land in Butterworth, Penang

- Artist's impression of approved masterplan for STC's and MSC's entire 40.1 acres of land at Butterworth



Source: Extracted from article "Steering the course for Penang" in The Edge Financial Daily, 29 June 2018



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## BUSINESS HIGHLIGHTS

RESOURCES

# MALAYSIA SMELTING CORPORATION

## Largest Independent Custom Tin Smelter

Production of 27,085 tonnes of tin in 2018, approximately 7.5% of total global supply<sup>(1)</sup>

## Malaysia's Largest Tin Mine

Mine production up 6% to 2,355 tonnes in 2018, accounting for >60% of Malaysia's output<sup>(1)</sup>

## Stronger Financial Performance in FY2018 and 1H2019

- FY2018 net profit more than doubled to RM34.3 million from improved operating efficiencies of tin smelting segment
- Net profit for 1H2019 rose by 128% to RM16.1 million, on the back of improved performance from both tin smelting and mining divisions



Source: *The Business Times*, 31 Dec 2018

# TRANSFORMATION PLANS

Becoming an efficient and fully integrated tin company



## TIN SMELTING

- **Port Klang Smelter**
  - Performing initial testing and commissioning work
  - On track to be fully operational by 2020, subject to necessary licenses from relevant authorities



## TIN MINING

- **Extension of mine life at the RHT, Perak**
  - Successful exploration lifted mineral resource by more than two third to 50,000 tonnes of contained tin
- **Increased mining productivity**
  - Rose from 8.4 tonnes/day to 9.0 tonnes/day
  - To reach 10 tonnes/day in two years



## OUTLOOK

- Expect recovery yields, production and cost efficiencies to improve once Port Klang smelter is fully operational



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## **FINANCIAL HIGHLIGHTS 2Q2019 and HY2019**



## GROUP FINANCIAL HIGHLIGHTS

S\$'m	2Q 2019	2Q 2018	% change	1H 2019	1H 2018	% change
EBITDA	43.7	51.3	(14.8)	74.6	72.6	2.8
EBIT	41.8	49.6	(15.7)	71.0	69.2	2.6
Profit before tax	34.6	42.8	(19.0)	56.9	55.9	1.8
PATNCI	25.3	33.9	(25.5)	42.5	43.6	(2.4)
EPS (cents)	6.2	8.3	(25.3)	10.4	10.7	(2.8)

# GROUP FINANCIAL HIGHLIGHTS

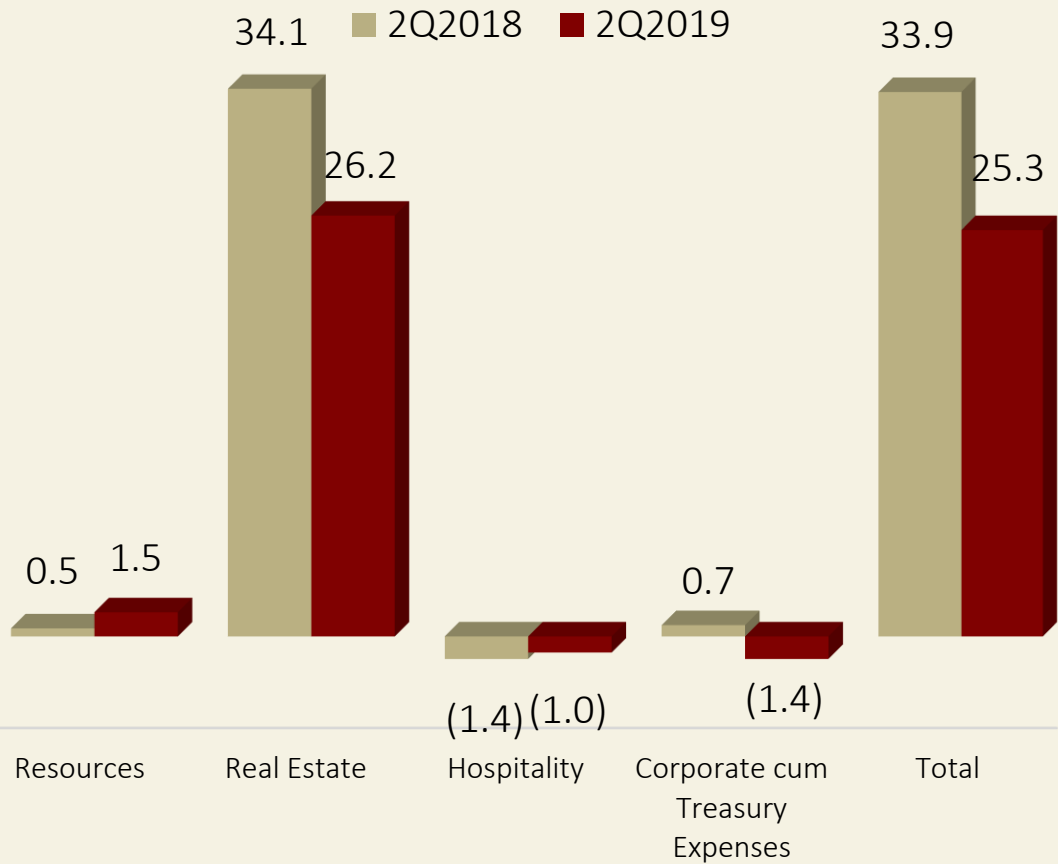
Strong financial position and prudent financial metrics

S\$m	30 Jun 2019	31 Dec 2018
Cash and short-term deposits	289.6	244.9
Total assets	2,632.0	2,576.3
Total borrowings	894.4	864.5
Total liabilities	1,004.3	977.7
Total equity	1,627.6	1,598.6
NAV/share (S\$)	3.66	3.60
Net debt/Total equity	37.2%	38.8%
EBITDA/Interest expenses	5.29	4.91

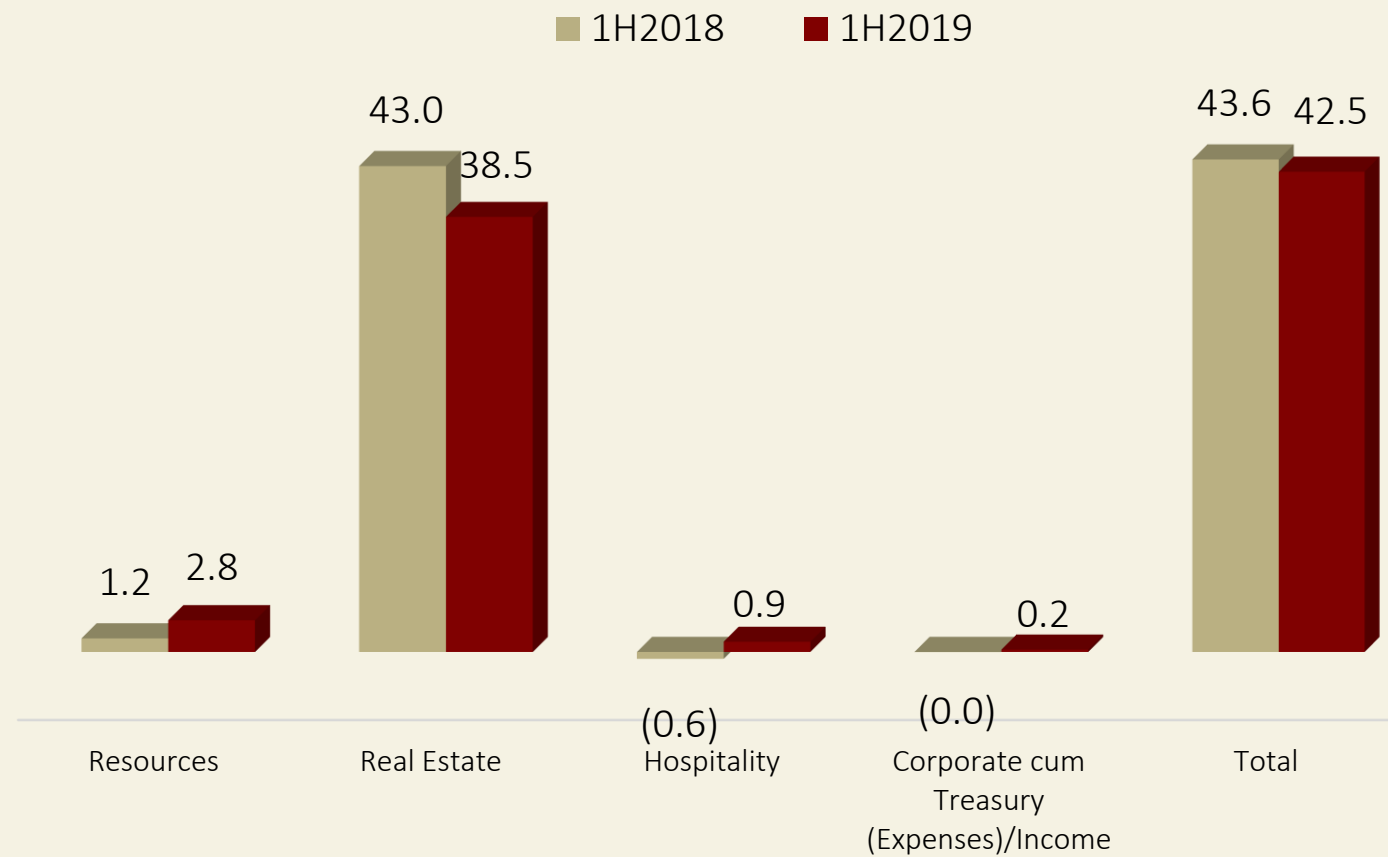
# PATNCI BY BUSINESS SEGMENTS

Main drivers of profitability - Real Estate segment and SRE

### 2Q PATNCI (S\$ million)



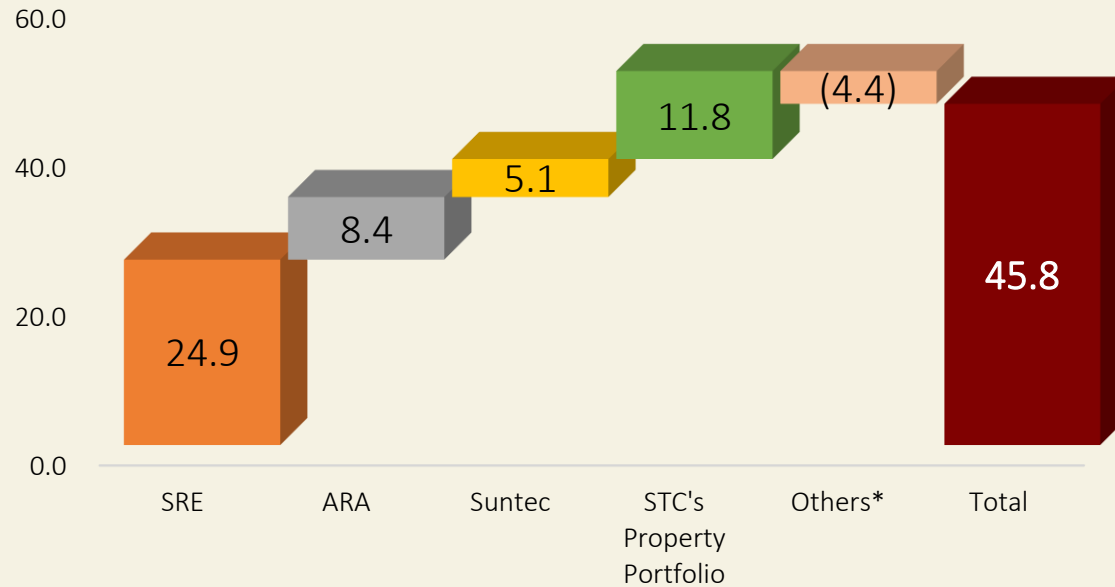
### 1H PATNCI (S\$ million)



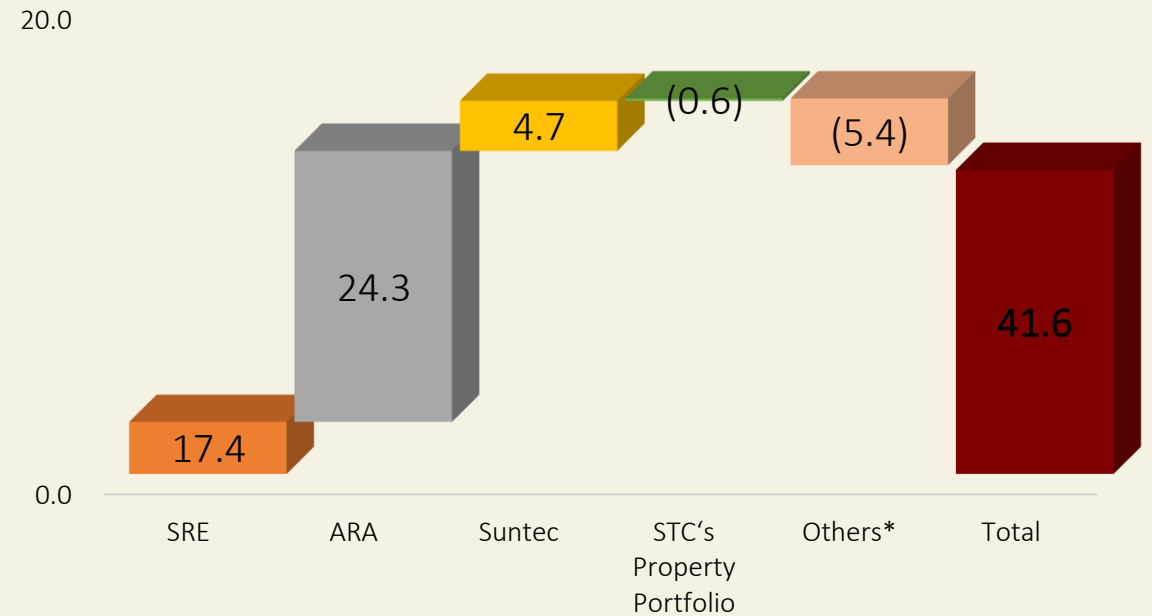
# PAT BREAKDOWN: REAL ESTATE SEGMENT

The drivers of profitability

1H2018 (S\$ million)



1H2019 (S\$ million)

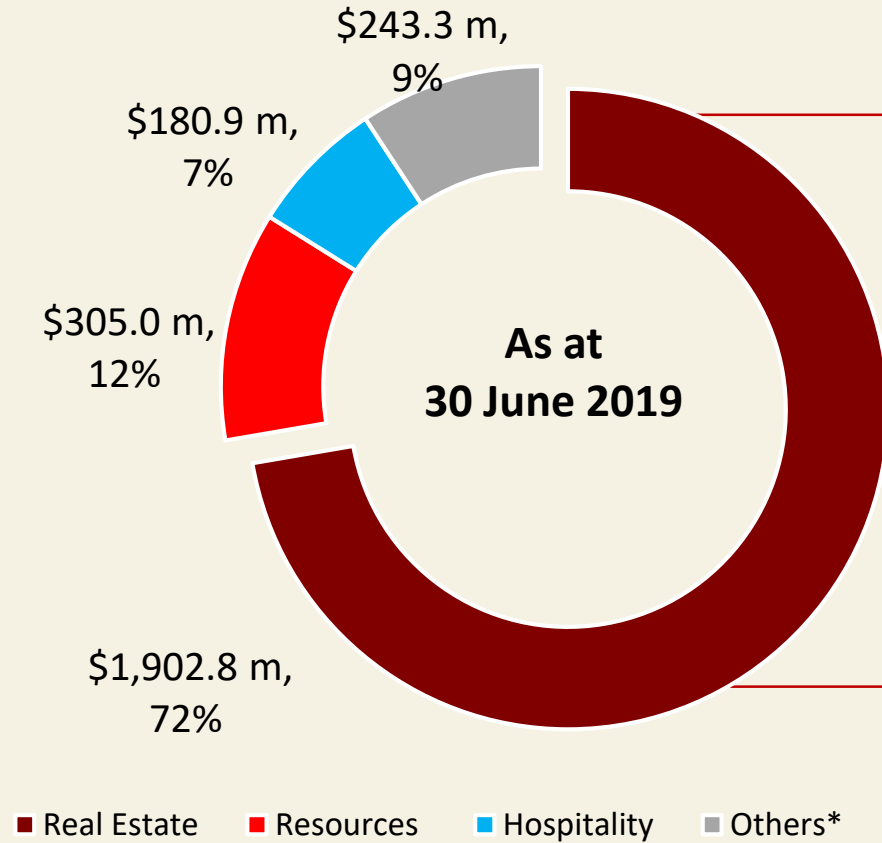


- The Real Estate Segment will continue to be the drivers of profitability including that from ARA

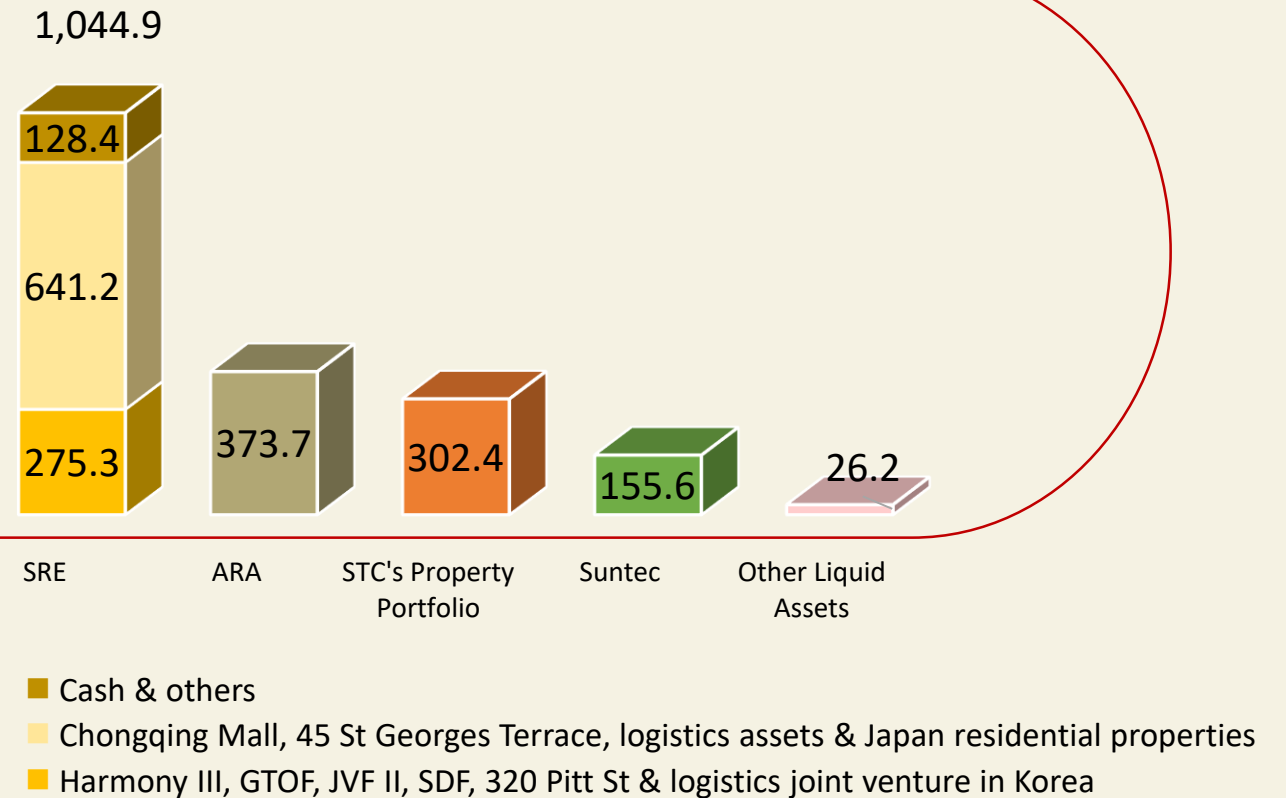
\* Others comprise mainly Group-level finance costs and overheads

# TOTAL ASSETS

S\$2.63 billion in total assets as of June 2019 (Dec 2018: S\$2.58 billion)  
 79% from real estate and hospitality segments



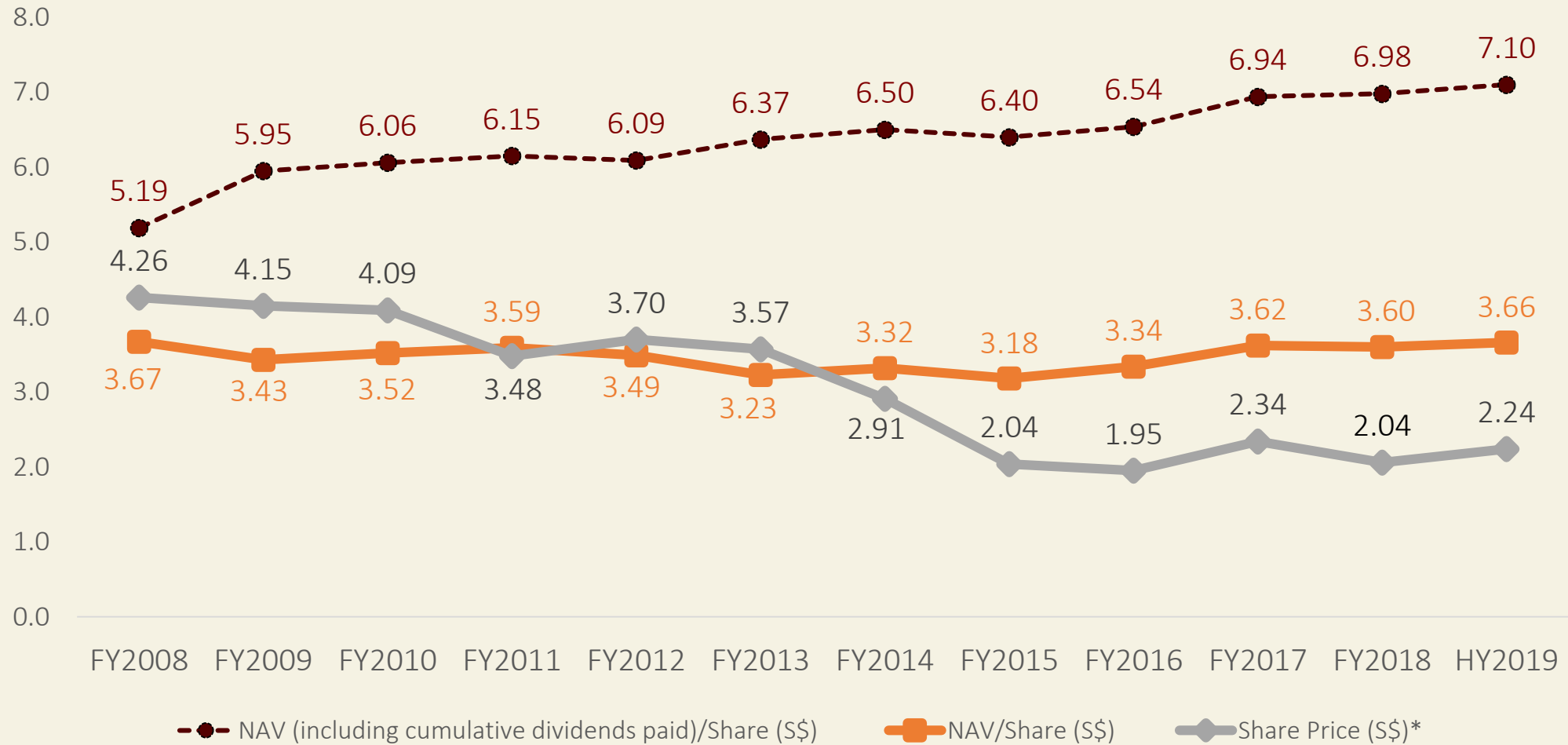
Real Estate Assets Breakdown (S\$ million)



\* Others comprise mainly Group-level cash, separate account portfolio

# NET ASSET VALUE PER SHARE

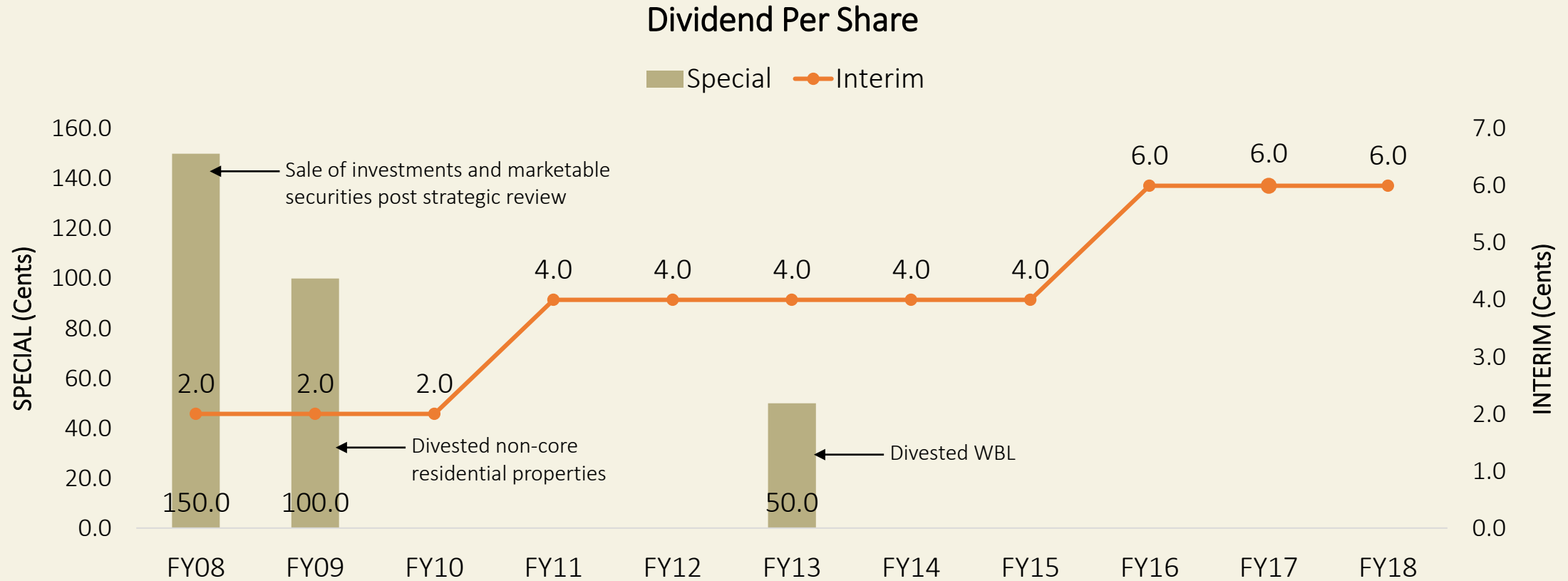
Stock price is currently trading at a discount to our intrinsic value



\* Closing price as at the last trading day of the financial year / period

# DIVIDEND RECORD

Rising dividends reflects improvement in our business



## KEY COMPONENTS OF STC'S PORTFOLIOS

	Key Components	Consolidated Balance Sheet	Consolidated Profit & Loss
Straits Real Estate (SRE)	Chongqing Retail Mall	Investment property	Property revenue & fair value changes
	45 St Georges Terrace, Perth		
	Japan Residential Portfolio		
	Australia Logistics Portfolio		
	320 Pitt Street, Sydney	Joint venture	Share of results & interest income
	Korean Logistics	Joint venture	Share of results
	Malaysia Retail Portfolio (Harmony III)	Associate	Share of results
	Japan Value Fund II		
ARA		Associate	Share of results
STC's Property Portfolio	Singapore Residential Portfolio	Investment property	Property revenue & fair value changes
	Butterworth Land, Penang	Land under development	
Hospitality (Far East Hospitality Holdings)		Associate/ investment securities	Share of results & dividend
Malaysia Smelting Corp (MSC)		Consolidated assets	Consolidated P&L
Suntec REIT units		Investment securities & fair value changes	Dividend



# BUSINESS STRATEGY

## Asset & Hotel Management

- ARA targets S\$100B AUM by 2021
- FEHH targets to manage 150 hospitality assets and ~30,000 keys by 2023 & to acquire strategic assets

## Real Estate

- To continue to seek out investment opportunities in the Asia Pacific that offer high risk-adjusted returns e.g. logistics market
- SRE targets to grow AUM to S\$2.4B by 2022

## Resources

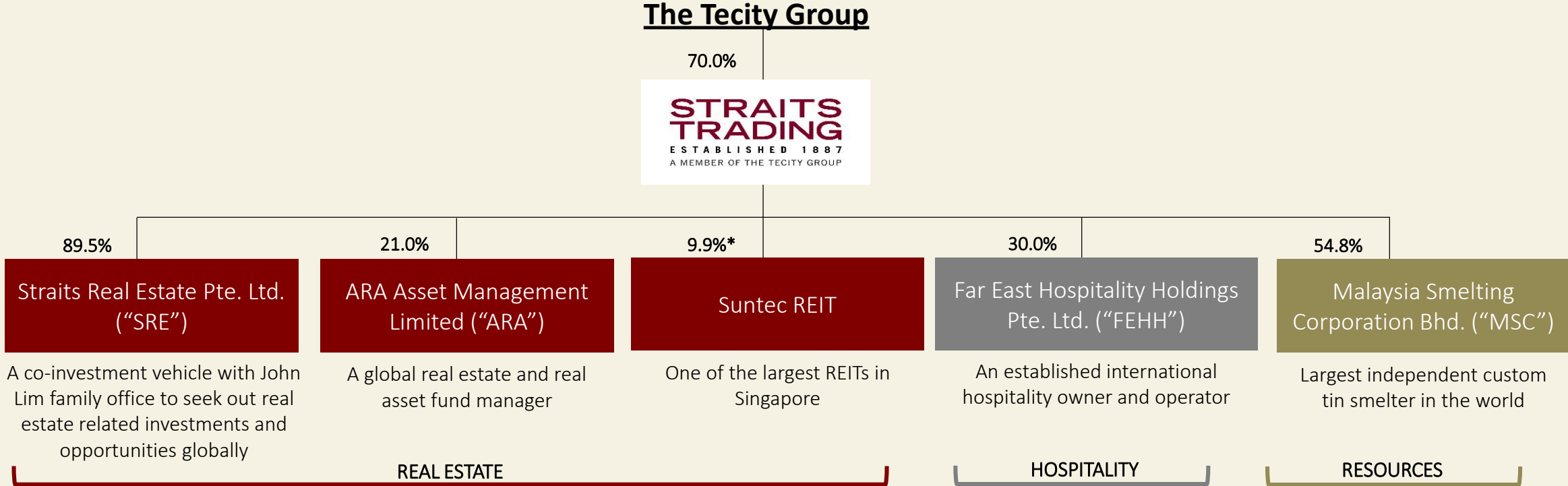
- Improved operational efficiencies on commencement of Port Klang smelter in 2020
- Potential for capacity expansion of Rahman Hydraulic Tin Mine
- Potential new exploration
- Potential new applications of tin



# APPENDIX

# CORPORATE STRUCTURE

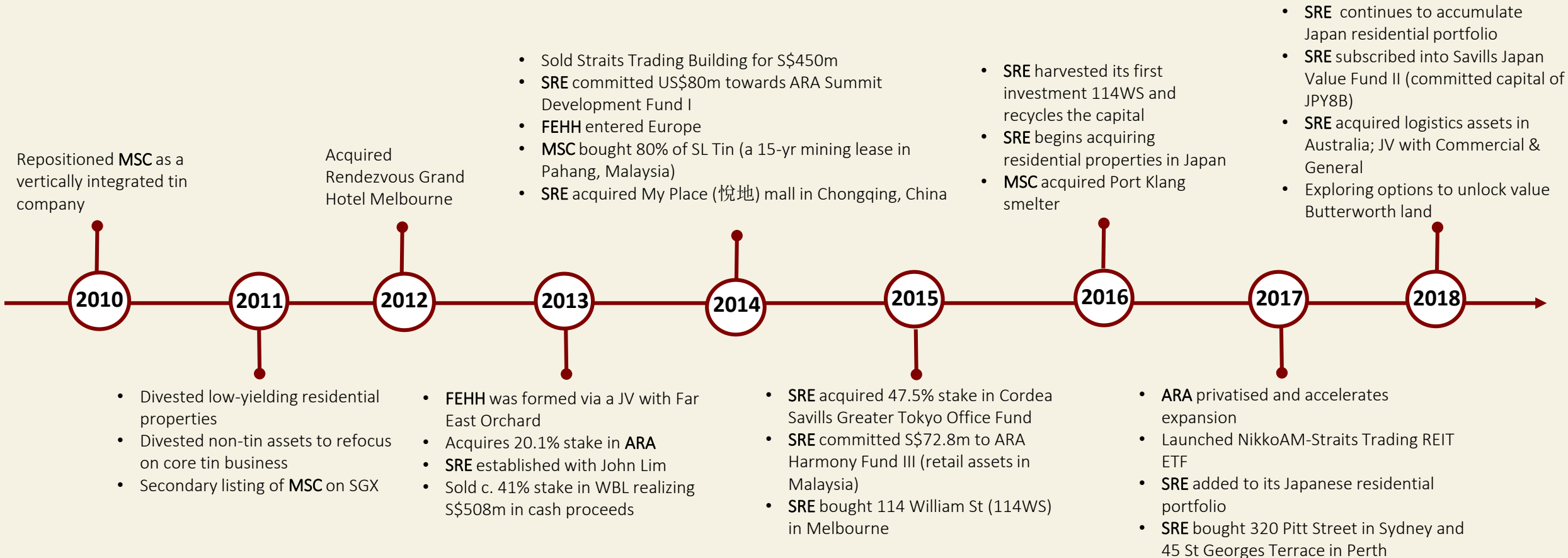
Structured to implement our strategy as a capital allocator



\* Aggregate interest in Suntec REIT including deemed interest through ARA group companies

# BUSINESS TRANSFORMATION SINCE 2008

Redefining focus and making new investments





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**THANK YOU**