

# 7<sup>th</sup> Annual General Meeting

Presentation to Unitholders

By Chief Executive Officer

22nd July 2019

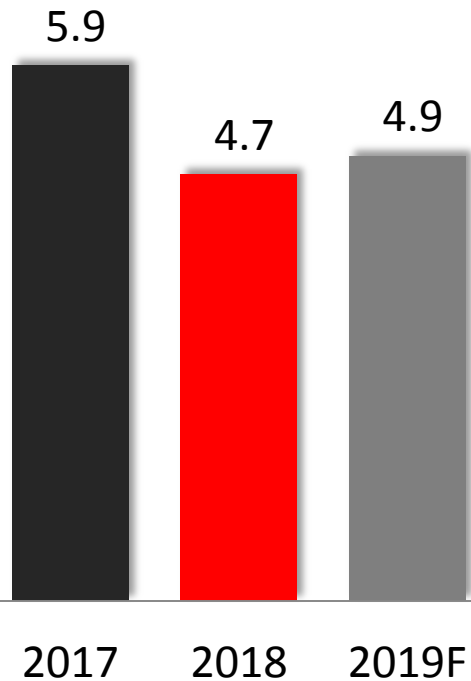
# Agenda

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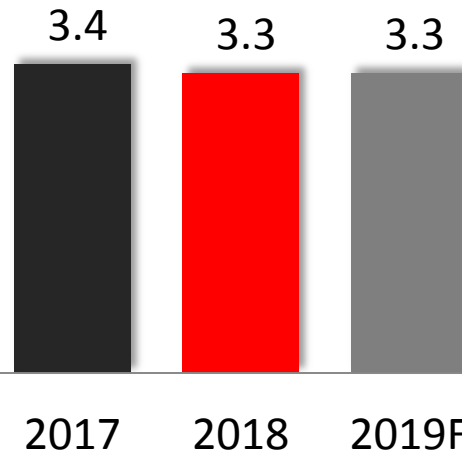
- **Market Review**
- Financial Highlights for FY2019
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# Sustainable GDP growth with stable unemployment & inflation rates

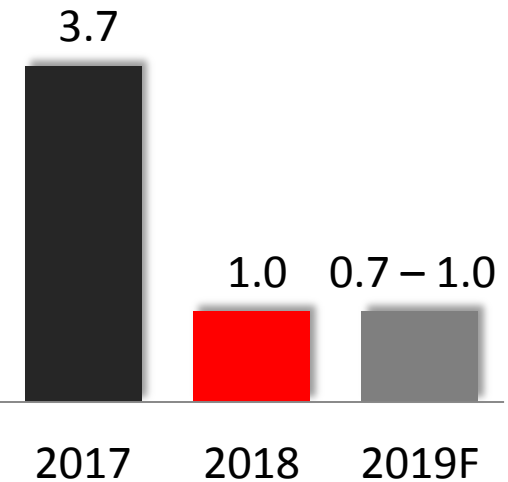
GDP (%)



Unemployment Rate (%)



Inflation Rate (%)

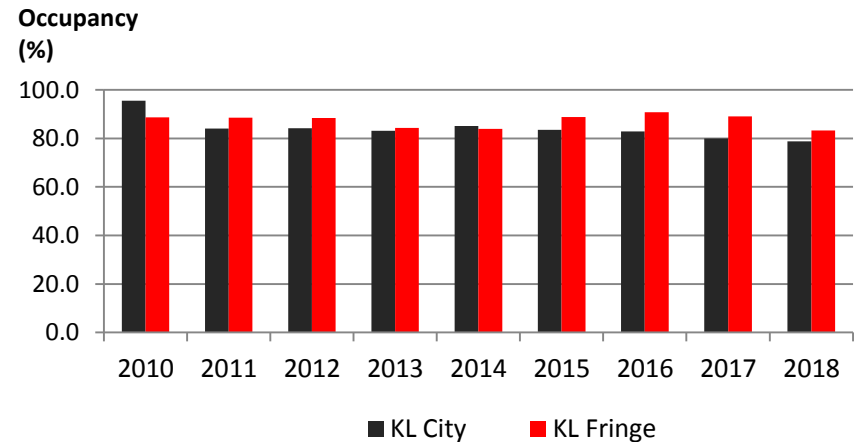


Notes: F- ForecastSource : BNM Report / Knight Frank Research

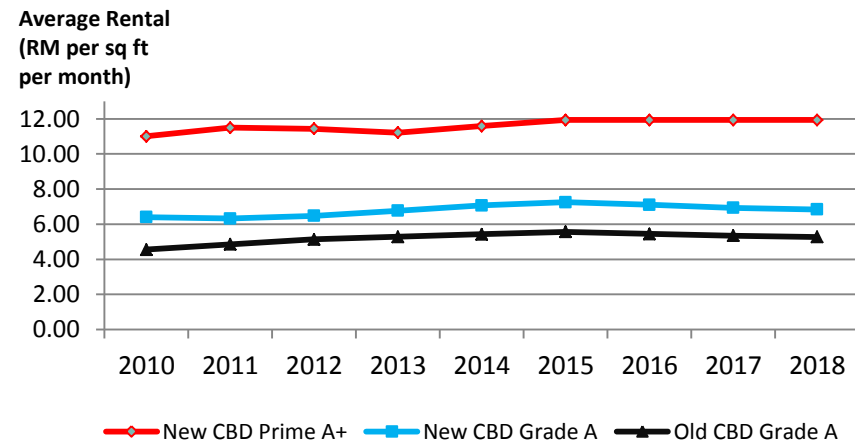
# Market Outlook for KL Office : Challenging over the short term

- Overall occupancy in KL City declined marginally to **78.8%** in 2018 (2017 : 80.0%) whilst in KL Fringe, the overall occupancy dipped to **83.2%** in 2018 (2017 : 89.1%).
- High supply pipeline & slow take up.
- Cumulative supply in KL City stood at **55.0 mil sq ft** in 2018 whilst in KL Fringe, the supply was **29.5 mil sq ft**.
- 9.1 mil sq ft** new supply by 2020 (~16% of the current supply in 2018).

## Occupancy declined



## Stagnant in rental rate



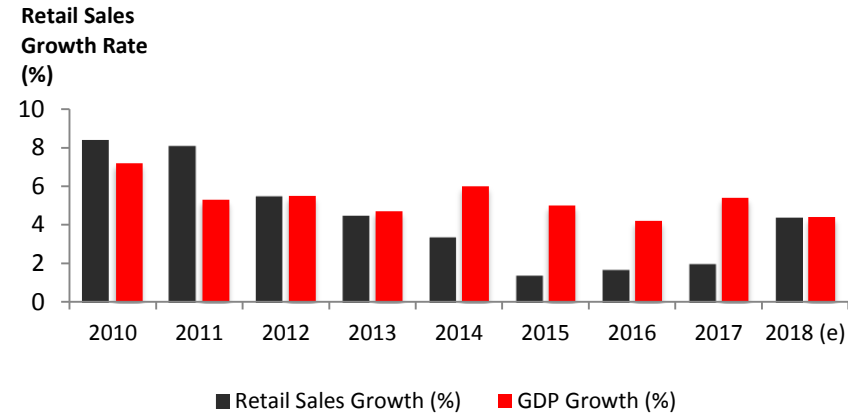
Source : Knight Frank Research / BNM Report

# Market Outlook for Selangor Retail:

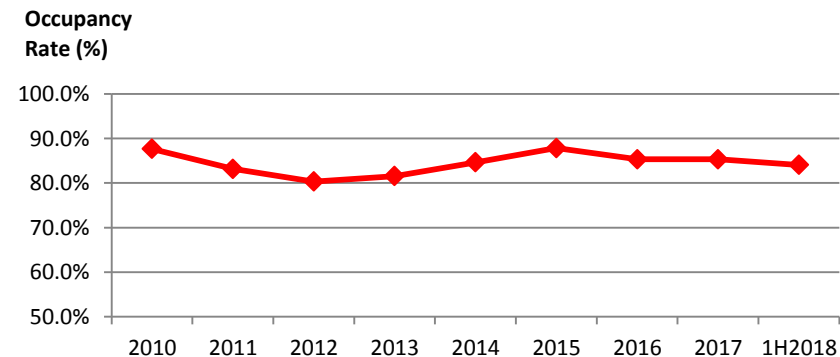
## Strong headwinds with heightened competition

- Occupancy dropped marginally to **84.1%** (2017 : 85.4%).
- Additional spaces of **1.1 mil sq ft** slated for completion by end 2020.
- Cumulative supply stood at **30.5 mil sq ft** in 2018 [2017 : 29.8 mil sq ft].
- Amid growing mismatch in supply & demand, more malls are embarking on AElS and creating new experiences to remain relevant.

### Retail Growth Rate shown improvements



### Occupancy under pressure



Source : Knight Frank Research / Malaysia Retailers Association / Retail Group Malaysia / NAPIC

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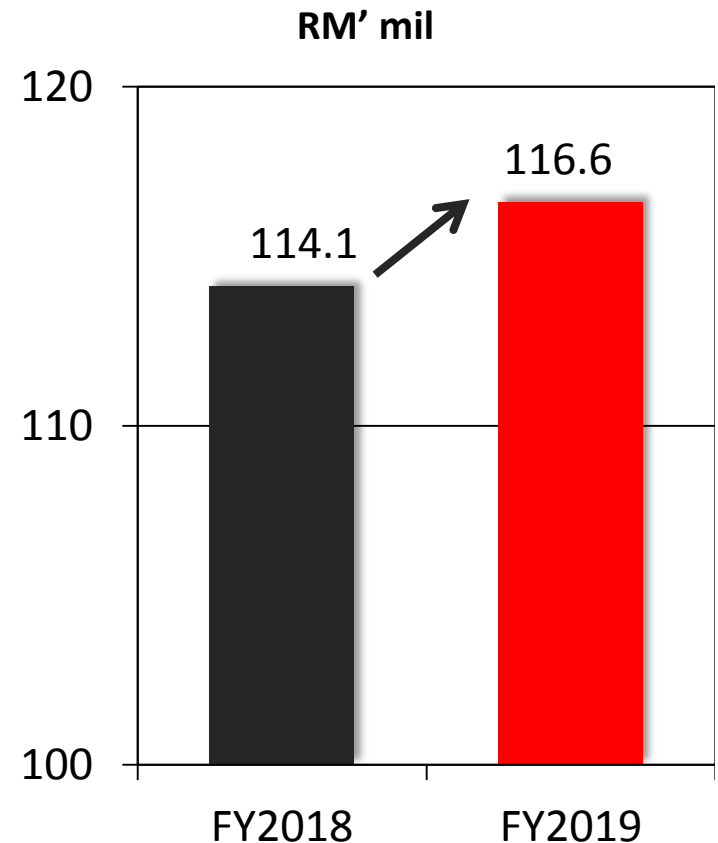
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# Statement of Comprehensive Income

| RM mil              | FY2019 | FY2018 | YoY   |
|---------------------|--------|--------|-------|
| Gross Revenue       | 116.6  | 114.1  | +2.2% |
| Net Property Income | 75.3   | 76.0   | -0.9% |
| Interest Expense    | 38.8   | 37.3   | +4.2% |
| Realised Net Income | 28.2   | 30.7   | -8.1% |
| Realised EPU (Sen)  | 4.11   | 4.47   | -8.1% |
| DPU (Sen)           | 4.00   | 4.20   | -4.8% |
| DPU Yield           | 7.5%   | 7.0%   | +0.5% |

# Gross Revenue increased by 2.2% due to higher overall portfolio of occupancy from 84.4% to 86.7%

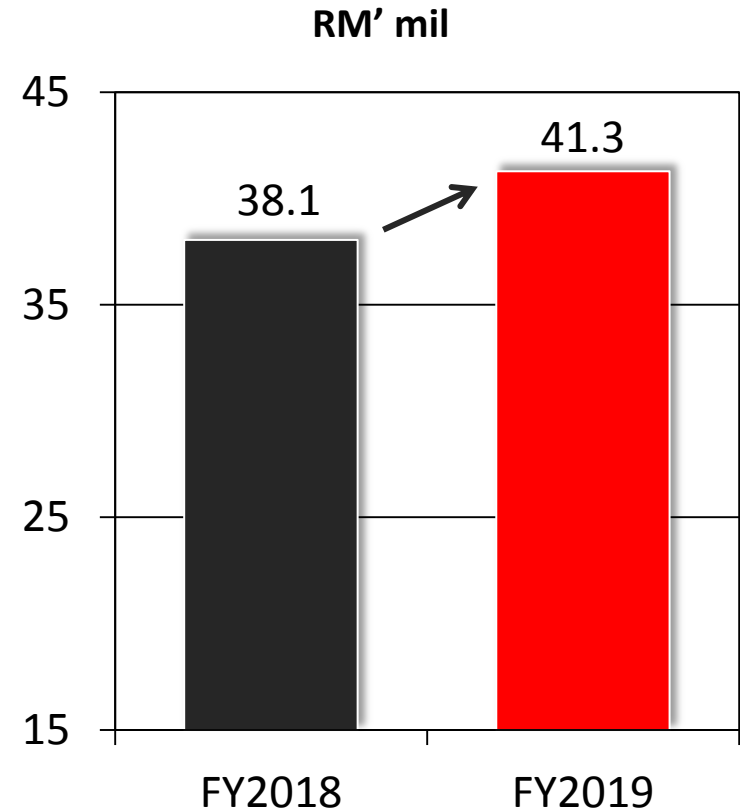
- Increase in occupancy at Prima 10, Wisma AmFIRST, Menara AmFIRST and The Summit - Office.
- Full occupancy at Prima 9 effective from 1 October 2017.
- Higher rental from Summit Hotel & carpark income.





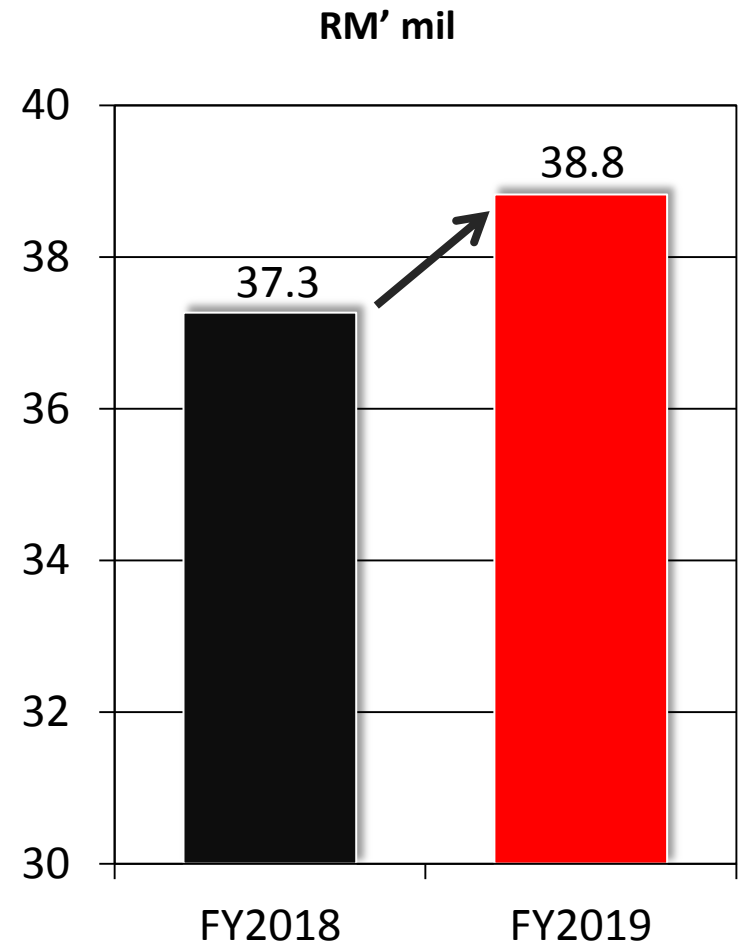
# Property Expenses increased by 8.5%

- Increase in service charges from **RM1.20 psf** to **RM1.56 psf** at The Summit effective 1 Sept 2018.
- Increase in strata parcel quit rent for The Summit.
- Higher electricity cost in tandem with higher occupancy.



# Interest Expenses increased by 4.2% YoY

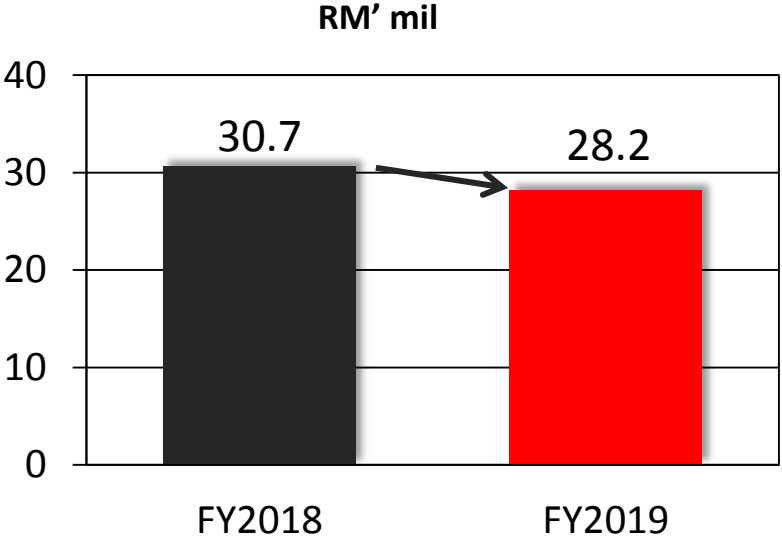
- Additional borrowing of **RM12 mil** to finance the ongoing AElS.
- OPR hike by **25 bps** in Jan 2018. Weighted average interest rate for FY2019 is **4.83%** p.a. [FY2018: 4.67%].
- **25%** of borrowings are hedged via Interest Rate Swap.



# Realised Net Income & DPU

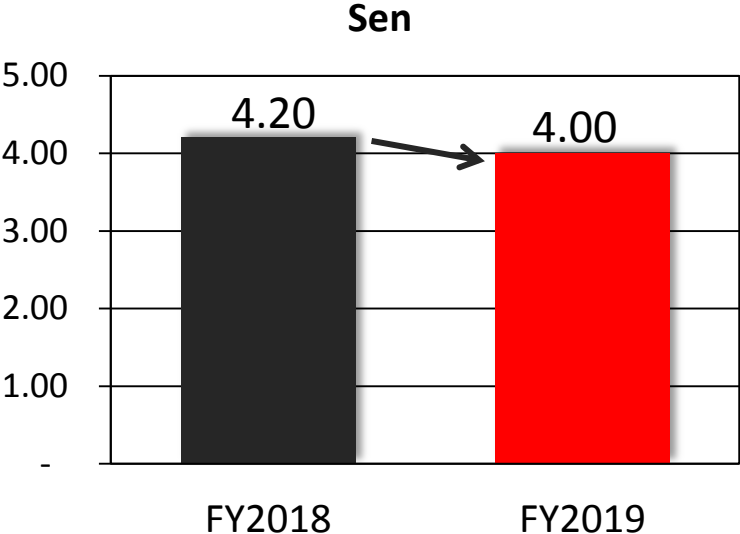
Realised Net Income decreased by **8.1% y-o-y**

- Increase in property expenses by **8.5% y-o-y**.
- Increase in interest expenses by **4.2% y-o-y**.



DPU decreased by **4.8% y-o-y**

- Total DPU of **4.00 sen** for FY2019 represent distribution ratio of **97%**.
- Distribution Yield of **7.5%** based on closing unit price of **53.5 sen**.

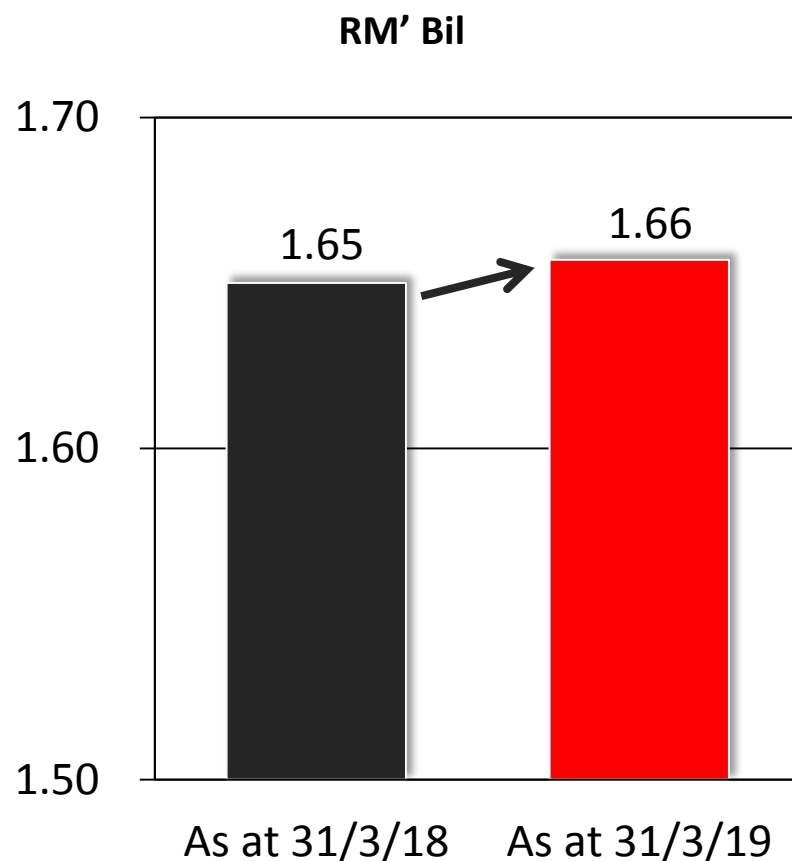


# Statement of Financial Position

| RM mil                | 31.3.2019 | 31.3.2018 | YoY   |
|-----------------------|-----------|-----------|-------|
| Investment Properties | 1,657     | 1,650     | +0.4% |
| Borrowings            | 791       | 779       | +1.5% |
| Net Asset Value (NAV) | 844       | 849       | -0.5% |
| Gearing               | 47.3%     | 46.8%     | +0.5% |
| NAV per unit (RM)     | 1.21      | 1.22      | -0.6% |

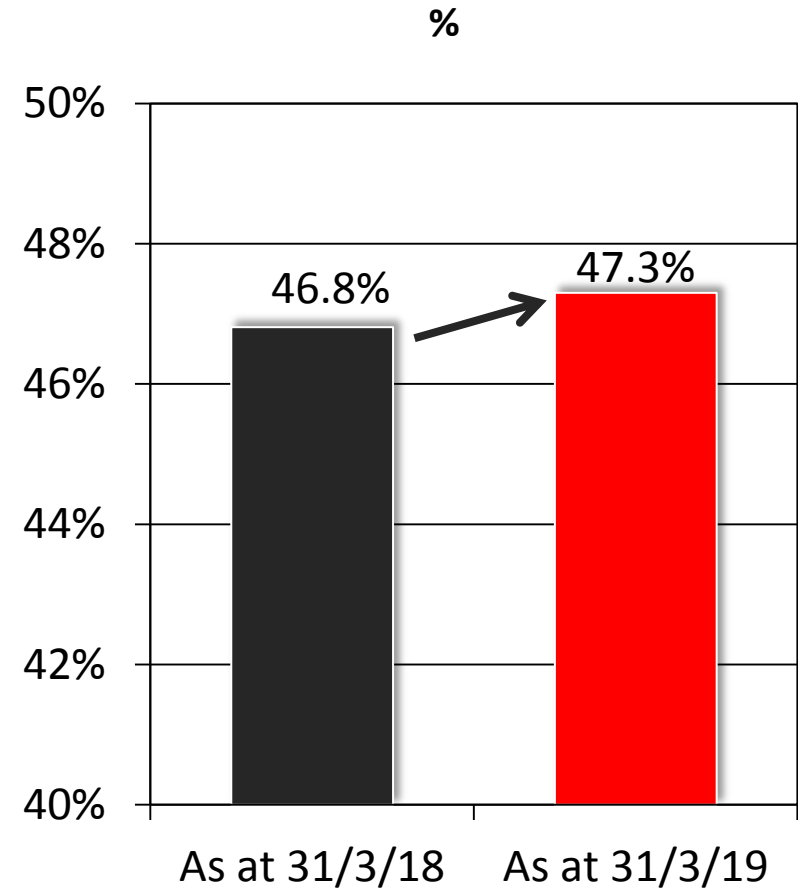
# Asset Value marginally increased by 0.4%

- No. of properties remain at 9 nos. with no acquisition / disposal.
- Capitalised AELs of **RM13.2 mil.**
- Net deficit in revaluation of **RM6.2 mil** [FY2018 : RM20.5 mil].



# Gearing marginally increased to 47.3%

- Increase in borrowings to finance ongoing AEs.
- Debt headroom of **RM89.7 mil** before reaching 50% threshold.
- Medium to long term target gearing level of **35% - 40%**.



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# Asset Under Management



**Bangunan  
AmBank Group**



**Menara  
AmBank**



**Menara  
AmFIRST**



**Wisma  
AmFIRST**



**The Summit  
Subang USJ**



**Prima 9**



**Prima 10**



**Jaya 99**



**Mydin HyperMall, Bukit Mertajam**



# Improvement in occupancy

| Property                        | Occupancy<br>31 Mar 2018 | Occupancy<br>31 Mar 2019 | Committed<br>Occupancy<br>31 Mar 2019 | %<br>Change |
|---------------------------------|--------------------------|--------------------------|---------------------------------------|-------------|
| Bangunan AmBank Group           | 99.6%                    | 99.6%                    | 99.6%                                 | -           |
| Menara AmBank                   | 82.4%                    | 72.7%                    | 72.7%                                 | (11.8%)     |
| Menara AmFIRST                  | 58.7%                    | 68.5%                    | 68.5%                                 | 16.7%       |
| Wisma AmFIRST                   | 66.6%                    | 97.6%                    | 97.6%                                 | 46.5%       |
| The Summit – Office             | 72.7%                    | 82.2%                    | 89.6%                                 | 23.2%       |
| The Summit - Retail             | 77.9%                    | 74.6%                    | 76.1%                                 | (2.3%)      |
| Prima 9                         | 100%                     | 100%                     | 100%                                  | -           |
| Prima 10                        | 60.1%                    | 83.8%                    | 83.8%                                 | 39.4%       |
| Jaya 99                         | 93.4%                    | 89.7%                    | 89.7%                                 | (4.0%)      |
| Mydin HyperMall, Bukit Mertajam | 100%                     | 100%                     | 100%                                  | -           |
| <b>Overall Portfolio</b>        | <b>84.4%</b>             | <b>86.7%</b>             | <b>87.3%</b>                          | <b>3.4%</b> |

# Achieved 85.9% renewal in FY2019

| Property                        | Lease due for renewal (sq ft) | Total renewed (sq ft) | Total renewed (%) |
|---------------------------------|-------------------------------|-----------------------|-------------------|
| Bangunan AmBank Group           | 50,534                        | 50,534                | 100%              |
| Menara AmBank                   | 341,372                       | 310,112               | 90.8%             |
| Menara AmFIRST                  | 28,147                        | 28,147                | 100%              |
| Wisma AmFIRST                   | 33,356                        | 33,356                | 100%              |
| The Summit – Retail             | 159,459                       | 110,972               | 69.6%             |
| The Summit - Office             | 18,542                        | 15,945                | 86%               |
| Prima 9                         | -                             | -                     | -                 |
| Prima 10                        | -                             | -                     | -                 |
| Jaya 99                         | 24,889                        | 14,495                | 58.2%             |
| Mydin HyperMall, Bukit Mertajam | -                             | -                     | -                 |
| <b>Total</b>                    | <b>656,299</b>                | <b>563,561</b>        | <b>85.9%</b>      |

# Occupancy : Progress Update

## Menara AmFIRST

- Occupancy improved to **68.5%**.
- Ongoing negotiation with 2 prospects to occupy 10,000 sq ft.
- Explore with existing tenants on their expansion plans.

## Menara AmBank

- Occupancy reduced to **72.7%** due to AmBank Group relocating its back office to Wisma AmFIRST.
- Working with AmBank Group for their additional space requirements.
- Ongoing negotiation with prospect for a space between 30,000 sq ft to 70,000 sq ft.

## Summit - Retail

- Committed occupancy is **76.1%** with additional spaces by GSC.
- Indoor theme park plan to commence in 2020.
- Working with space optimizing specialist and replacement for supermarket.
- Position the mall to be interactive in nature to improve footfall.

## Summit - Office

- Committed occupancy is **89.6%** with a new tenancy with a MNC tenant, which will commence in FY2020.
- Presence of co-working space.

# Occupancy : Progress Update – *contd.*

## Wisma AmFIRST

- Occupancy improved to **97.6%**.
- AmBank Group relocated its back room office from Menara AmBank.
- Focus on service level and tenant retention.

## Jaya 99

- Occupancy stood at **89.2%**.
- Exploring with existing MNC tenant for their expansion of spaces.

## Prima 10

- Occupancy increased to **83.8 %**.
- Ongoing negotiation with existing tenant for the remaining floor.

## Prima 9

- Occupancy remained at **100.0%**.
- The entire building was leased to government agency.

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# Moving Forward :

## Improve Distribution and Long Term Value Creation

### Moving Forward

#### Improve Distribution

#### Long Term Value Creation

##### Assets Optimisation

##### Portfolio Rationalisation

##### Prudent Capital Management

#### Year 1 to 3

- ✓ Step up leasing efforts to improve occupancy (Target > 90% overall occupancy).
- ✓ Capture positive rental reversions.
- ✓ Enhance service level and contain property expenses.

- ✓ Strategic divestments for non-core & non-strategic assets.
- ✓ Value accretive deals that create long term value.
- ✓ Target key growth market segments with strong fundamentals.

- ✓ Optimise capital structure (Target Gearing level 35% - 40%).
- ✓ Active interest rate management & effective hedging strategy.
- ✓ Diversify funding sources and maintain competitive average interest rate.

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# AGM Resolutions

| Items               | Agenda  | Approval Required   | Purpose  |
|---------------------|---|---------------------|--|
| <b>Resolution 1</b> | Proposed Authority to Allot & Issue New Units pursuant to Paragraph 6.59 of Main Market Listing Requirements of Bursa Securities – ‘General Mandate’ ≤ 20% of existing Fund Size. | Ordinary Resolution | To enable the Manager to raise fresh equity to meet future acquisitions and asset enhancement expenditure without breaching the 50% gearing threshold. |
| <b>Resolution 2</b> | Proposed Increase in Existing Total Number of Units Issued to a Maximum of 823,681,920 Units pursuant to the passing of <b>Resolution 1</b> .                                     | Ordinary Resolution | To increase the fund size pursuant to the passing of <b>Resolution 1</b> .   |



**THANK YOU**