Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

REIT: Starhill Global REIT
(Manager: YTL Starhill Global REIT Management Limited)

Stock code: P40U

Meeting details:
Date: 29 Oct 2024
Time: 11.00 a.m.
Venue: Singapore Marriott Tang Plaza Hotel, Grand Ballroom, Level 3, 320 Orchard Road, Singapore 238865

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Q1. The REIT successfully renewed the Toshin master lease for the Ngee Ann City Property ahead of its expiry in June 2025. The renewed master lease is for an initial term of 12 years (expiring on 7 June 2037), which may be renewed at the option of either party for a further six years (expiring on 7 June 2043), and thereafter at the option of Toshin for a further three years (expiring on 7 June 2046).

The terms of the new lease are largely similar to the existing lease but include a profit-sharing component, which will comprise a portion of Toshin's annual operating income over and above agreed revenue and profit margin thresholds, as well as Starhill Global REIT's contribution of up to S$5.2 million towards Toshin's renovation and upgrading works during the initial term of the renewed master lease.

(i) **How frequently are the periodic rent reviews under the new lease, and are these reviews structured as "up-only" adjustments?**

(ii) **Can the REIT manager also elaborate further on the profit-sharing arrangement (including any details on the threshold and the profit-share percentage) and what is the estimated timeline and likelihood of the REIT benefitting from this?**

With regard to the Wisma Atria property, the extensive interior upgrading works, including lift modernisation, were completed in 2024. Higher tourists arrivals, coupled with the upgrades and enhanced tenancy mix, led to higher tenant sales and shopper traffic of 2.8% and 8.2% y-o-y respectively in Wisma Atria Property in FY 2023/24.

(iii) **Have the improvements in footfall and tenant sales met management's projections from the planning stage?**

(iv) **Does the REIT manager have insights as to why shopper traffic improved by 8.2% while tenant sales only increased by 2.8%?**

The valuation of the Wisma Atria property (consisting of 74.23% strata title interest) was as high as $932.0 million as at 30 June 2020.

The property has seen a steady decline in valuation:
- $932 million as at 30 June 2020
- $878 million as at 30 June 2021
- $837.6 million as at 30 June 2022
- $827.8 million as at 30 June 2023
- $817 million as at 30 June 2024

This represents a decline of over 12% over the period. By contrast, Ngee Ann City's valuation rose from $1.13 billion in 2020 to $1.148 billion in 2024.

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(v) **Given the consistent decrease in Wisma Atria's valuation, has management considered whether the $15 million upgrading works have been effective? How has the management assessed the return on this investment?**

(vi) **Has the REIT approached or received approach from the 25.77% owner of the Wisma Atria property to collectively explore strategic options, such as a collective sale or redevelopment?**

Six of nine properties in the REIT's portfolio have attained green certifications.

(vii) **Are there concrete plans to upgrade the remaining three properties to meet modern ESG standards and tenant expectations?**

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Q2. While gross revenue and net property income grew by 1.1% and 0.8% respectively, income available for distribution fell by 4.8% to $84.7 million. This decline resulted in a distribution per unit (DPU) decrease from 3.8 cents to 3.63 cents per unit, a 4.5% drop.

Gearing remains stable at 36.8%, with a weighted average debt maturity of 2.5 years. As at 30 June 2024, 79% of borrowings were fixed or hedged. The weighted average interest rate was approximately 3.80% per annum, with adjusted interest coverage ratio at 2.9 times.

(i) **Can the REIT manager provide a detailed breakdown of the factors leading to the 4.5% drop in DPU to 3.63 cents? Please provide a waterfall diagram or similar presentation to clarify the main factors, particularly the extent to which higher financing costs contributed to the decline.**

(ii) **Out of the 79% in borrowings that are fixed or have been hedged, what is the precise breakdown?**

(iii) **What is the average remaining tenure of the interest rate swaps in place?**

(iv) **What are the management's views on the Australian dollar, Malaysian ringgit, and interest rate trends and how do these views influence the strategic positioning and risk management of the REIT?**

(v) **What operational levers are available to increase DPU, and can management provide specific examples of cost savings from recent initiatives?**

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Q3. The REIT's last acquisitions were approximately a decade ago, namely the Plaza Arcade on 1 March 2013 and Myer Centre Adelaide on 18 May 2015.

(i) **Can the board outline the group's current growth strategy in detail?**

(ii) **Are there any plans to acquire assets that align with the REIT's strategic objectives? Could the board detail its strategic framework for evaluating potential acquisitions?**

(iii) **Has the manager actively explored distressed assets in the current market?**

All the remaining assets in the REIT's portfolio located outside of Singapore are currently valued below their original purchase prices in Singapore-dollar terms. This raises concerns about the effectiveness of the manager's hedging strategies and value-creation initiatives. Specifically, net asset value per unit attributable to unitholders has decreased over the past decade:

30 June 2015 - S$0.91
30 June 2016 - S$0.92
30 June 2017 - S$0.92
30 June 2018 - S$0.91
30 June 2019 - S$0.88
30 June 2020 - S$0.81
30 June 2021 - S$0.81
30 June 2022 - S$0.78
30 June 2023 - S$0.73
30 June 2024 - S$0.71

(iv) **Has the board conducted a thorough analysis to determine the root causes of NAV erosion? And if so, what guidance has the board given to the REIT manager to halt or reverse this trend and protect unitholder value?**

(v) **Has the board considered strategic alternatives, including an orderly liquidation or a strategic sale, to preserve value for unitholders?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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