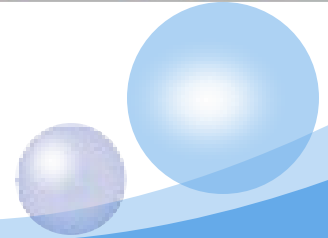




# Sabana REIT

16<sup>th</sup> March 2012





# Disclaimer

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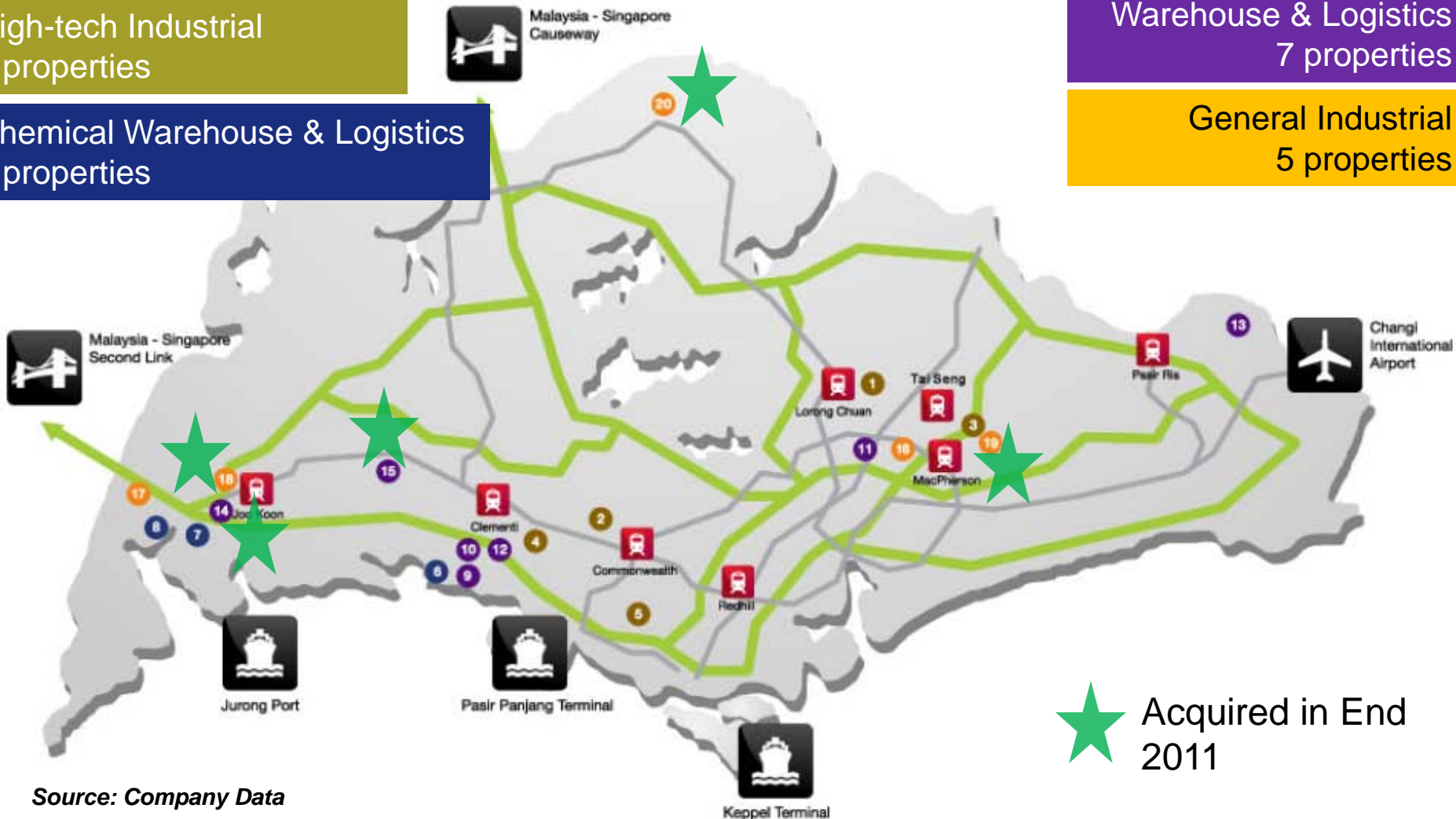
# Sabana REIT Company Background

High-tech Industrial  
5 properties

Chemical Warehouse & Logistics  
3 properties

Warehouse & Logistics  
7 properties

General Industrial  
5 properties



Source: Company Data



# Sabana REIT Company Background

- ❖ 19 properties (18 triple net & 1 single net lease) with occupancy rate of 96%.
- ❖ 1 property, multi-tenanted (9 Tai Seng Drive) with occupancy rate of 98.4%.
- ❖ Acquired 5 properties in End 2011 with debt, aggregate leverage increase from 24.9% to 34.1%.
- ❖ Portfolio grows from \$851m in 2010 to \$1b (2012).



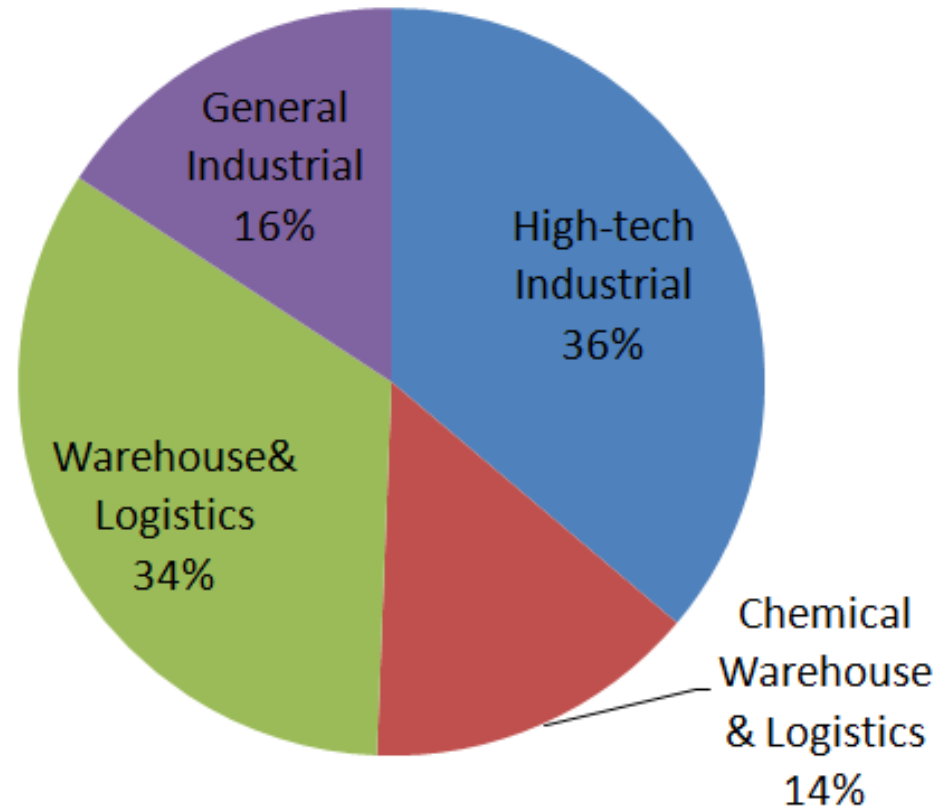
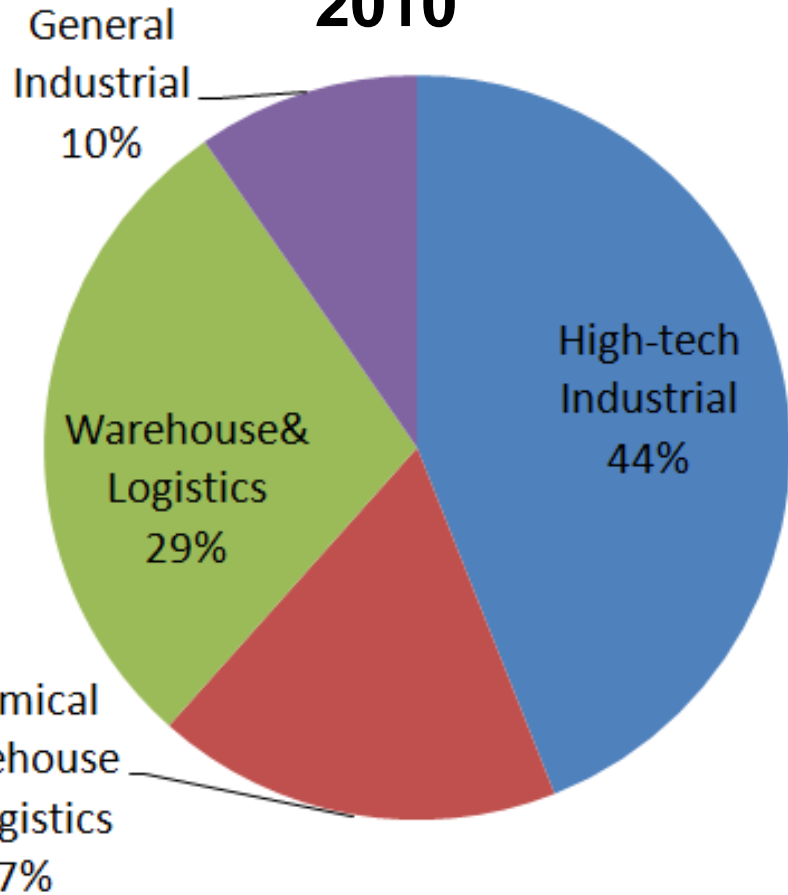
# Sabana REIT Company Background

- ❖ World's largest listed Shari'ah Compliant REIT
- ❖ Access to investors from both Shari'ah and conventional markets.
- ❖ Assigned a 'BBB-' long term corporate credit rating with a stable outlook from Standard & Poor's Rating Services in Q3'2011.

# GFA Breakdown

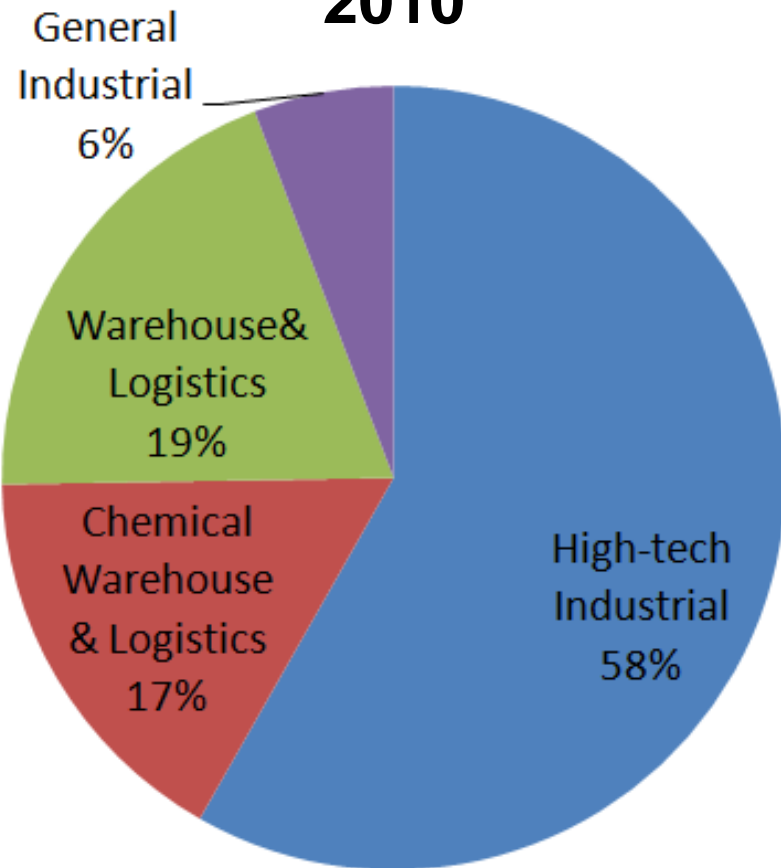
**2010**

**2012**

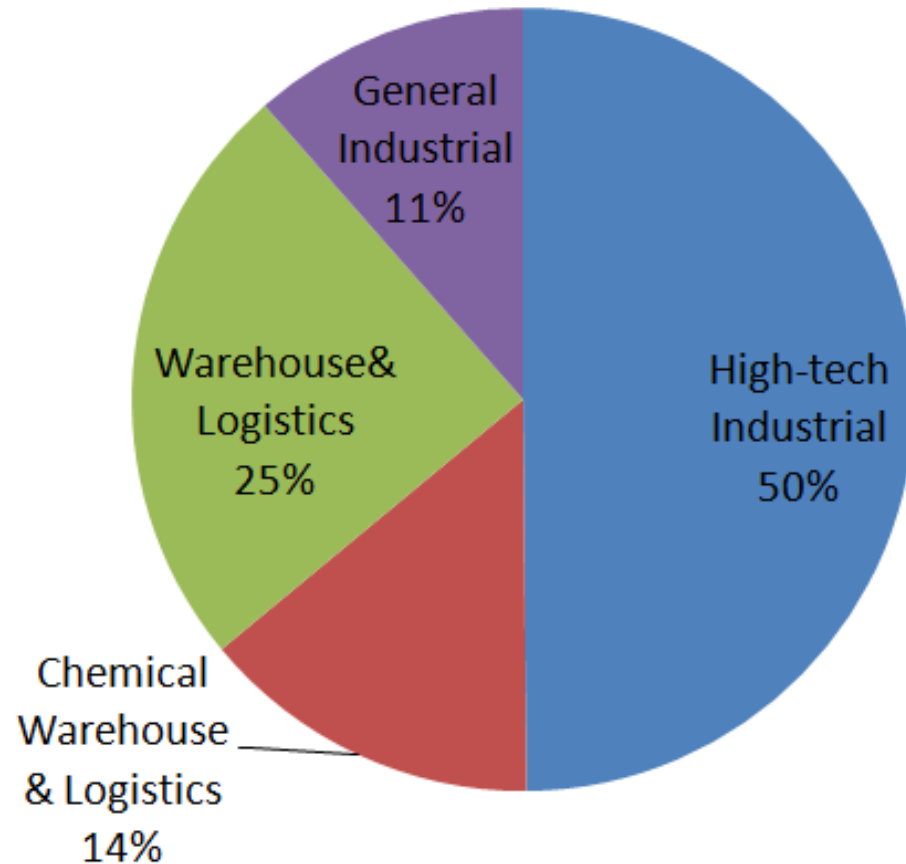


# Revenue Breakdown

**2010**



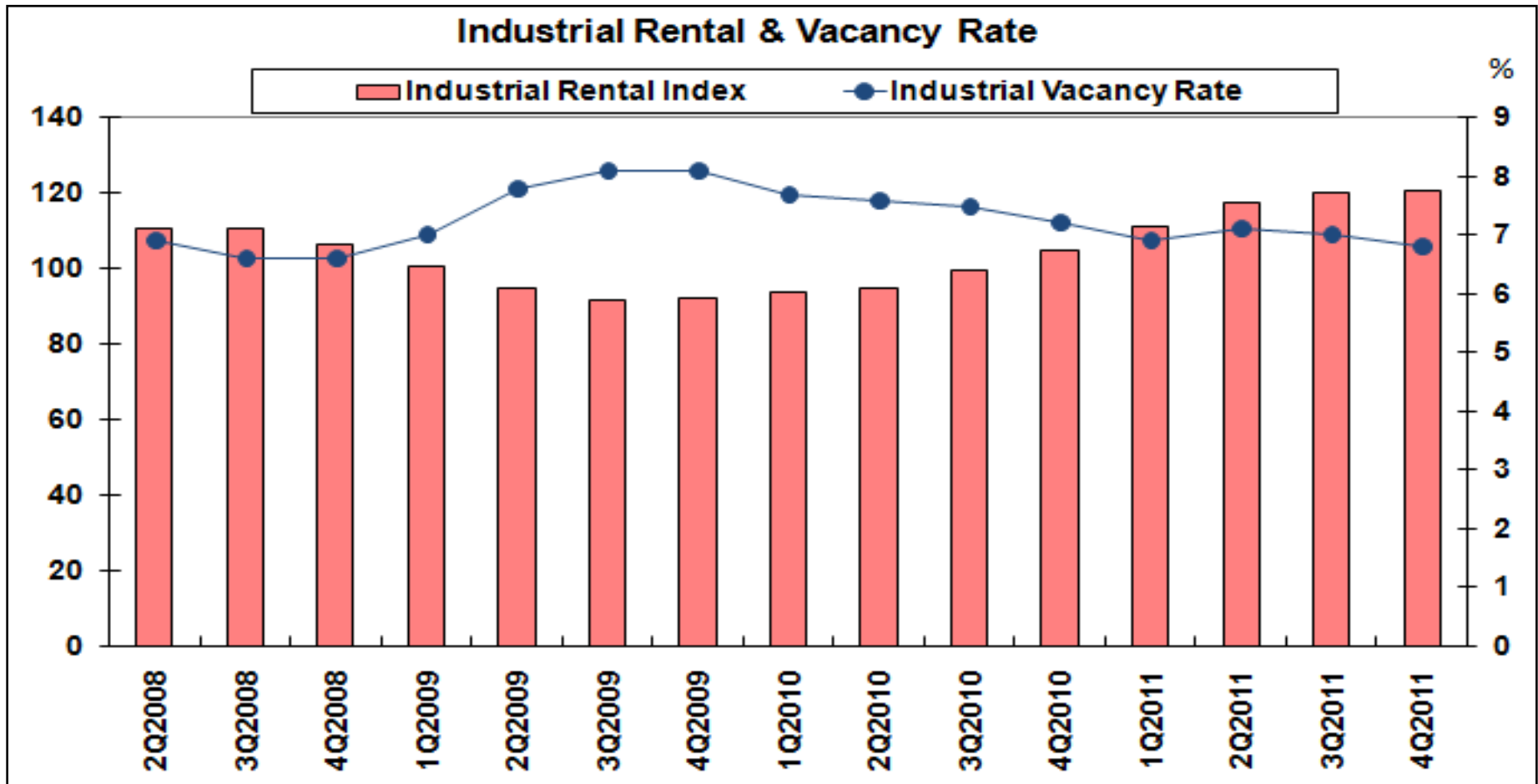
**2012 (est.)**





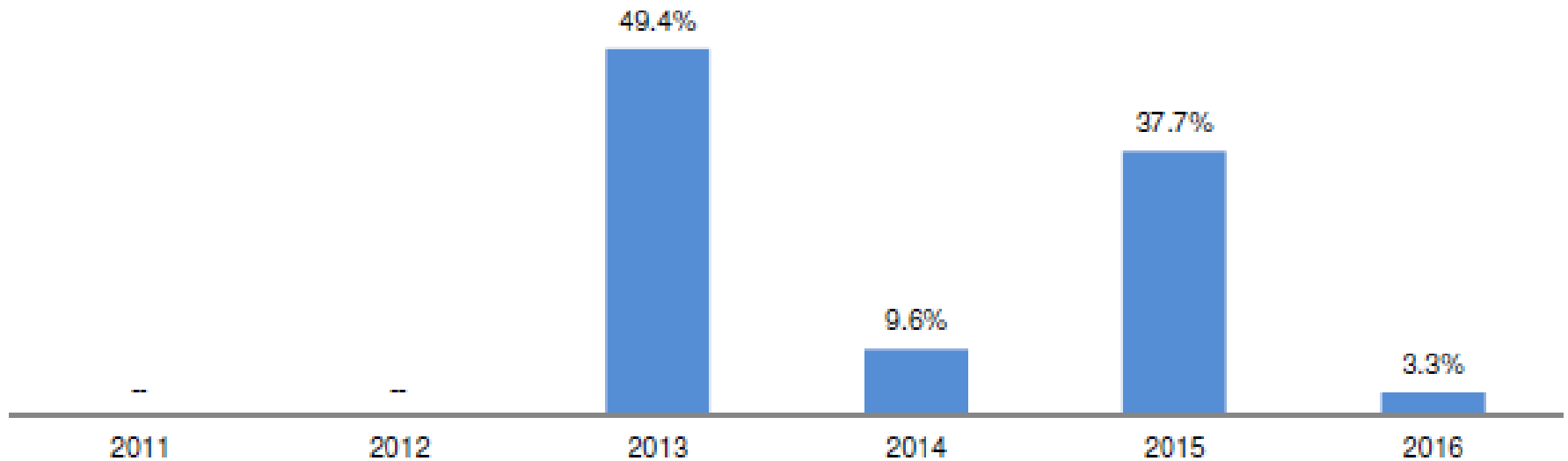
# Industrial Rental Index

❖ Rental Index & Vacancy Rate expect to remain stable.



Source: URA

# Lease Expiry Profile



Source: Company Data

- ❖ No lease term expiring in 2012.
- ❖ Need to watch progress of 2013 lease term renewal.



# Questions?

- ❖ Current dividend yield ~9.3%.
- ❖ How many think it's a buy?
- ❖ How many think hold?
- ❖ How many think sell?

# Valuation – Financial Forecast

Company: Sabana (S\$'000)				
Fiscal Period	FY11A	FY12E	FY13E	FY14E
Gross Revenue	76945	81789	83016	84261
Net property income	73074	77699	78865	80048
Income available for distribution	60603	59166	59911	60671
DPU (cents)	9.51	9.21	9.26	9.31
Dividend Yield % at S\$0.93=	10.23	9.91	9.96	10.01

- ❖ Attractive dividend yield.
- ❖ 12m Fair Value Target Price: S\$1.06 base on a cost of equity of 9.6%.

# Peer Comparison

	Currency	Last Price @09Mar	Market Cap (\$ M)	Annualised Yield (%)	Leverage Ratio (%)	P/BV (X)
<b>INDUSTRIAL</b>						
ASCENDAS INDIA TRUST	SGD	0.830	627.2	7.33%	15.80%	1.04
AIMS AMP CAPITAL INDUSTRIAL	SGD	1.075	477.1	9.67%	31.20%	0.83
ASCENDAS REAL ESTATE INV TRT	SGD	2.030	4,337.00	6.86%	35.00%	1.13
CACHE LOGISTICS TRUST	SGD	1.020	651.6	8.24%	29.10%	1.13
CAMBRIDGE INDUSTRIAL TRUST	SGD	0.525	618.4	8.52%	32.20%	0.88
MAPLETREE INDUSTRIAL TRUST	SGD	1.125	1,881.30	7.68%	36.10%	1.25
MAPLETREE LOGISTICS TRUST	SGD	0.915	2,244.30	7.43%	41.30%	1.02
SABANA SHARIAH COMP IND REIT	SGD	0.930	595.9	9.33%	34.10%	0.87
			<b>11,432.80</b>	<b>8.13%</b>	<b>31.85%</b>	<b>1.02</b>

Source: Bloomberg

- ❖ Sabana REIT has one of the highest yield among the Industrial REITS.



# Risk Analysis

- ❖ Lower yield is realized for expiring lease in 2013.
- ❖ Sudden increase in Industrial space
- ❖ Economics downturn.

# Debt Analysis

## As at 31 December 2011

Borrowings	S\$364.8million
Aggregate leverage <sup>(2)</sup>	34.1%
Average all-in financing cost <sup>(3)(4)</sup>	4.4%
Interest cover <sup>(5)</sup>	7.4 times

*Source: Company Data*

- ❖ Healthy Gearing Ratio of 34% and Healthy Interest coverage ratios of 7.4x suggest no immediate danger of falling behind its obligations.

# Debt Expiry Analysis

	Group and Trust
	As at 31 December 2011
	S\$'000
<b>Commodity Murabaha Facilities</b>	
- Term (Facilities A, B & C)	352,837
- Revolving (Facility D)	12,000
Less: Unamortised capitalised transaction costs	(4,972)
	<b>359,865</b>
<b>Maturity of borrowings</b>	
Within 1 year	11,918
After 1 year but within 5 years	347,947
	<b>359,865</b>

Source: Company Data

- ❖ About ~12million of debt expiring within 1 year. Does not posed any danger of re-financing.



# Historical Performance



Source: yahoo

- ❖ Sabana REIT shows correlation with STI, but downside is limited.



# Recommendation

**BUY, Target S\$1.06**

- ❖ Attractive Yield ~10% in current low interest rate environment.
- ❖ Upside potential of ~14% from current market price.



**Thank You !**



# Q & A

# Shari'ah Structuring

Activity	Conventional	Shari'ah compliant	Sabana REIT
Income from real estate	All legal income from underlying real estate permissible	Only income from Shari'ah compliant activities can be distributed. Income from non-Shari'ah activities allowed up to 5%. Net income from non-permissible and non-core activities are cleansed	Due diligence performed on portfolio assets. Less than 0.3% of revenue from non-compliant income
Permissible activities at premises	All authorised activities at premises permissible	Certain activities e.g. gambling not permitted	
Debt financing	Any type of debt financing allowed	Shari'ah preferred. If not available or viable, conventional debt to comprise up to 1/3 of NAV or market capitalisation	100.0% Shari'ah compliant commodity Murabaha facility
Insurance	Any type of insurance allowed	Takaful preferred for REIT related insurance. Conventional, if not available or viable	Conventional insurance structured to replicate Takaful
Deposits	Any type of deposit instruments permissible	Shari'ah preferred. Conventional, if not available or commercially viable	Shari'ah compliant product selected
Risk management	Non-speculative hedging permissible	Shari'ah preferred. Conventional, if not available or viable	
Corporate governance	Governance structure comprising Board and related committees	Shari'ah advisory panel in addition to conventional REIT governance structures	Formation of Shari'ah Committee

**Shari'ah compliance has been achieved and will be maintained without incurring significant ongoing compliance expenses**