



Creating The Places  
People Love



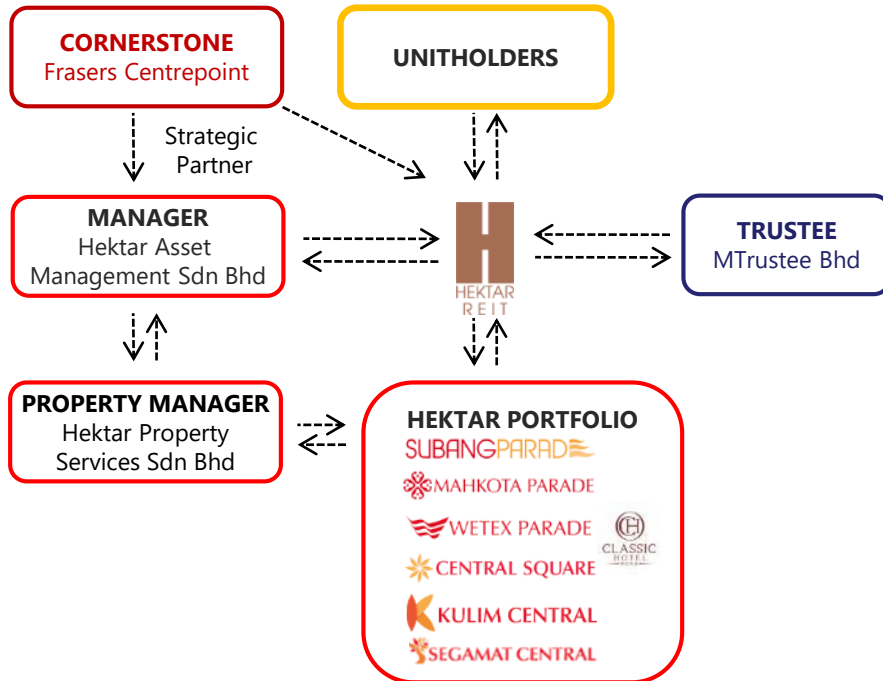
# HEKTAR REAL ESTATE INVESTMENT TRUST

3Q 2019 RESULTS PRESENTATION

27 Nov 2019



## Organisation



## Diverse Portfolio



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## Third Quarter 2019 (3Q19)

July – September 2019 / 3 Months

### Financial Performance vs. Previous Period

3Q19 Gross Revenue: RM34.1 million, +2.1%

3Q19 Realised Income: RM8.5 million, -11.0%

Net Property Income dipped -3.1%

Financing Renewed: 92% of Debt expires in 2024

Cost of Debt: 4.66%

Portfolio Valuation revised to RM1.237 billion

### Operational Performance as at 30 September 2019

Portfolio Occupancy: 91.9%

Rent Reversions: +5.4%

Expiry Profile: 31% of Net Lettable Area

### Dividend Per Unit

1Q 2019 : 1.93 sen

2Q 2019 : 2.00 sen

3Q 2019 : 1.84 sen

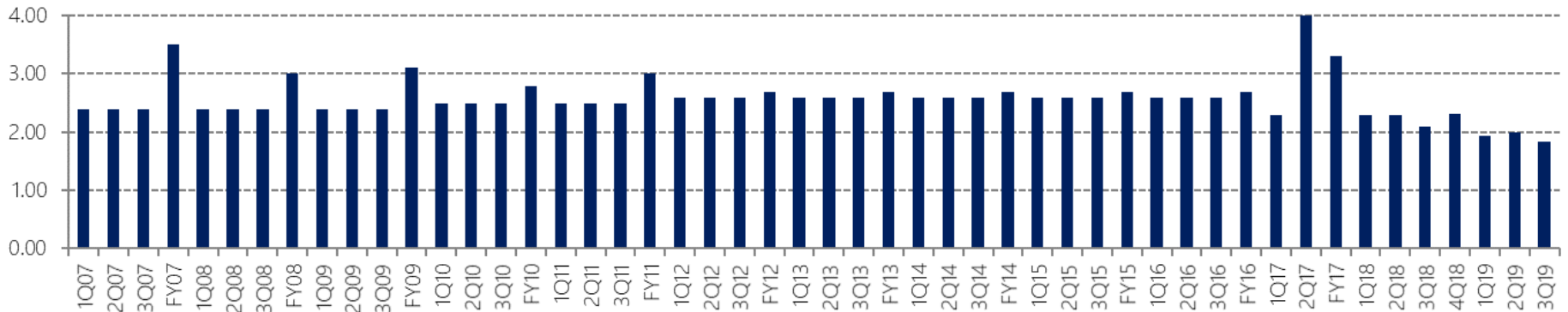
4Q 2019 : -

**DPU Yield\* : 7.81%**

\* Based on DPU YTD annualised over closing price of RM0.985 on 30 Sep 2019

## Distribution Details Third Quarter 2019

Distribution Period: 1 July 2019 – 30 September 2019  
 Quarterly DPU: 1.84 sen  
 Notice of Entitlement: 27 November 2019  
 Ex-Dividend Date: 11 December 2019  
 Book Closure Date: 12 December 2019  
 Payment Date: 9 January 2020



Hektar REIT offers a competitive **7.81%** dividend yield for 3Q 2019

- Dividend Yield based on annualised average DPU and 3Q 2019 closing price of RM0.985

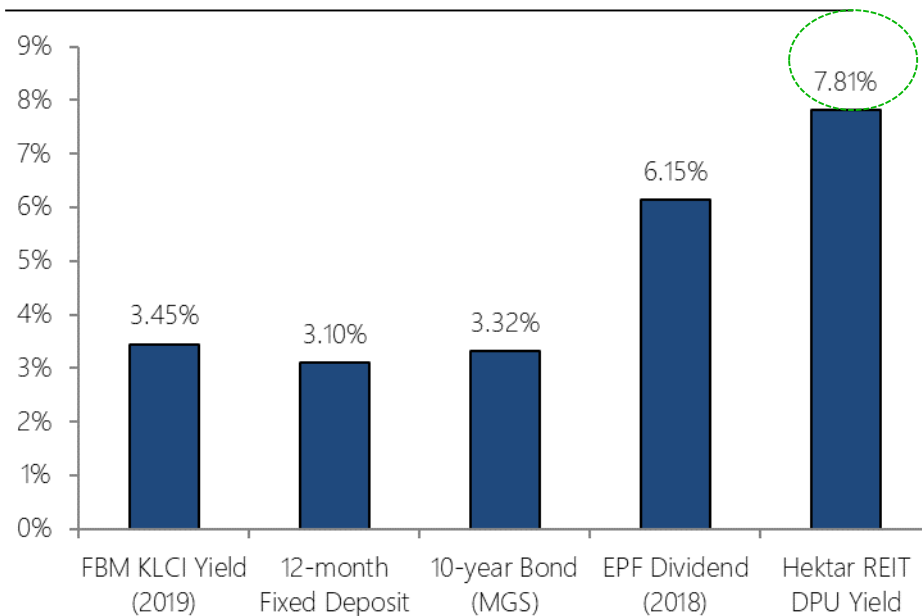
## Dividend Per Unit

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 3Q 2019 : 1.84 sen  
 4Q 2019 : -

**DPU Yield\* : 7.81%**

\* Based on DPU YTD annualised over closing price of RM0.985 on 30 September 2019

## Comparative Yields



Sources: FTSE Russell (Oct 2019), Maybank (Oct 2019), Bank Negara (31 Sep 2019), EPF

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WETEX  
PARADE  
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CENTRAL  
SQUARE  
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KULIM  
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SEGAMAT  
CENTRAL  
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Overall Occupancy at ~91.9% ▶

Rental Reversions +5.4% for 3Q19 ▶

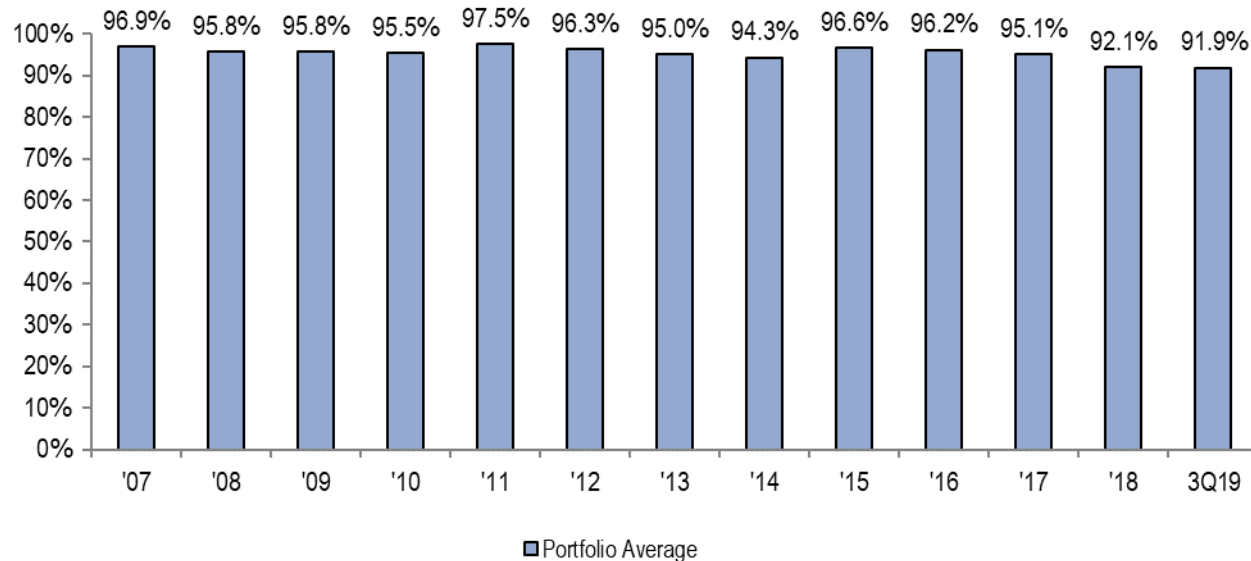
Expiry Profile: 31% NLA expires in 2019 ▶

# Portfolio Performance

Average portfolio occupancy steady at **91.9%**

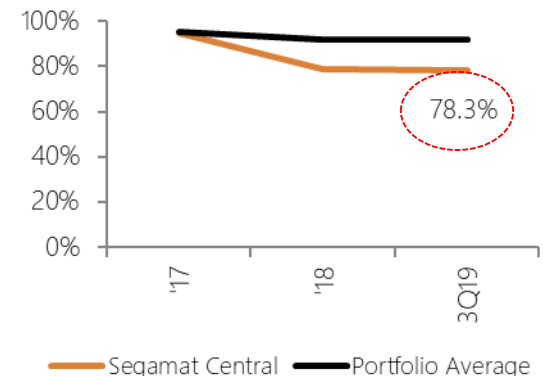
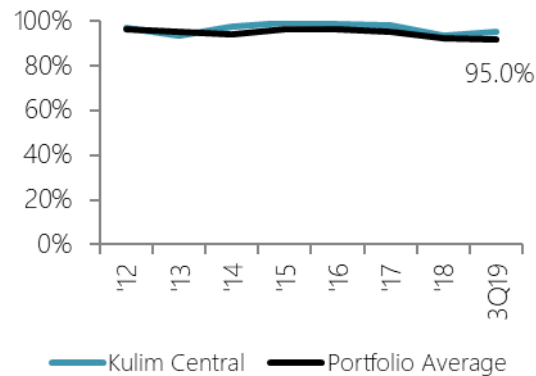
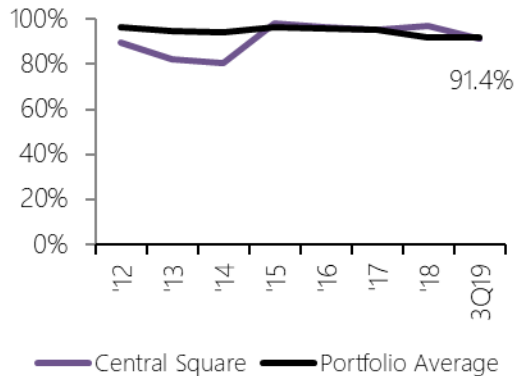
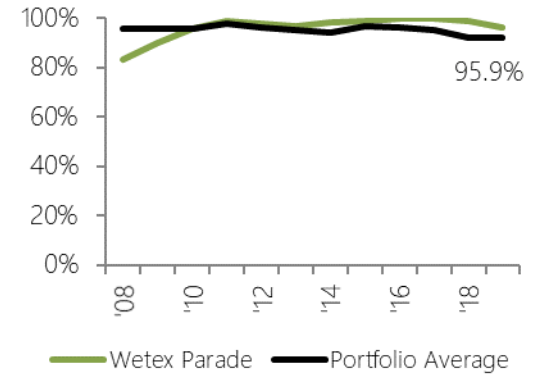
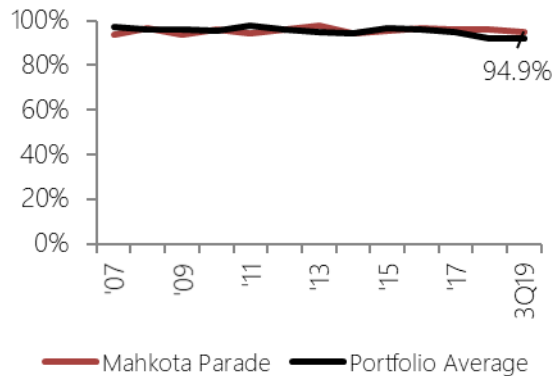
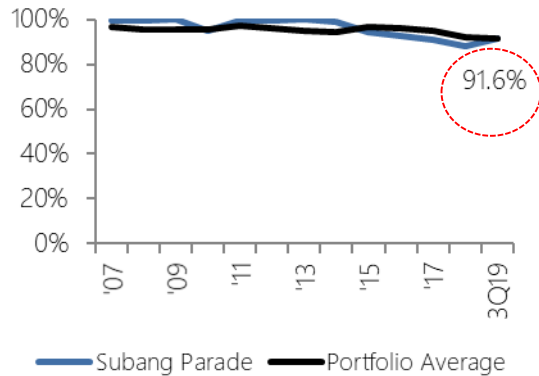
## Portfolio Occupancy 2007-2019

Property	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	3Q19
Subang Parade	93.4%	98.3%	98.5%	99.9%	99.8%	100.0%	94.8%	99.9%	99.8%	100.0%	99.3%	94.7%	93.0%	90.9%	88.2%	91.6%
Mahkota Parade	86.8%	96.9%	94.9%	93.9%	96.5%	93.6%	96.1%	94.5%	96.1%	97.8%	94.5%	95.5%	96.4%	96.1%	96.0%	94.9%
Wetex Parade					83.1%	90.1%	95.6%	98.6%	97.8%	96.8%	98.3%	98.7%	100.0%	100.0%	98.5%	95.9%
Central Square									89.8%	82.5%	80.5%	98.0%	96.6%	95.3%	96.9%	91.4%
Kulim Central									96.9%	93.7%	97.8%	99.3%	98.9%	98.2%	93.5%	95.0%
Segamat Central														94.7%	78.6%	78.3%
Portfolio Average	91.3%	97.6%	96.7%	96.9%	95.8%	95.8%	95.5%	97.5%	96.3%	95.0%	94.3%	96.6%	96.2%	95.1%	92.1%	91.9%



Subang Parade and Segamat Central occupancy still fluctuating due to Asset Enhancement planning & repositioning

- Portfolio Average at 91.9% for 3Q 2019





## Third Quarter Rental Reversions positive (+5.4%)

- Represented by 6% of NLA
- Weighed down by Subang Parade and Central Square
- Strong performance by Kulim Central, Wetex Parade and Segamat Central

## Portfolio Rental Reversions 3Q 2019

Third Quarter (3 months) (Ended 30 Sep)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	+/- vs Previous Rent Rates
Subang Parade	11	23,246	4.5%	-1.7%
Mahkota Parade	7	27,141	5.2%	7.4%
Wetex Parade	7	8,577	4.9%	14.7%
Central Square	6	16,617	5.4%	-10.5%
Kulim Central	10	37,992	12.7%	15.7%
Segamat Central	2	8,138	3.8%	16.4%
<b>Total/Average*</b>	<b>43</b>	<b>121,711</b>	<b>6.0%</b>	<b>5.4%</b>

\* Average Weighted by NLA

### SEGAMAT CENTRAL

+16.4%

- Positive reversion for all 2 tenants
- Key Renewed/New Tenant Categories: Popular Bookstore and KFC

### KULIM CENTRAL

+15.7%

- Positive reversions for all 10 tenants
- Key Renewed/New Tenants: MBO, Game Icon, Westfield, Digi Store Express & Hussain Nasi Kandar

### WETEX PARADE

+14.7%

- Positive reversions for all 7 tenants
- Key Renewed/New Tenants: Poh Kong, Yusul Enterprise & Giordano

### MAHKOTA PARADE

+7.4%

- Positive reversion for all 7 tenants
- Key Renewed/New Tenants Categories: Bluunis & Yubiso

### SUBANG PARADE

-1.7%

- Key Renewed/New Tenant Categories: Focus Point, Hayaki Café & Via Condotti

### CENTRAL SQUARE

-10.5%

- Key Renewed/New Tenants: Guardian & Huawei

Portfolio Rental Reversions YTD was a **+0.8%** in 9M2019

- Strongest performer: Wetex Parade **+24.0%**
- Kulim Central (**+15.7%**), Segamat Central (**+13.1%**) and Central Square (**+11.6%**)
- Subang Parade reversions down due to Asset Enhancement planning for new mini-anchor
- Four malls outside of the Klang Valley still performing positively

## Portfolio Rental Reversions 9M2019

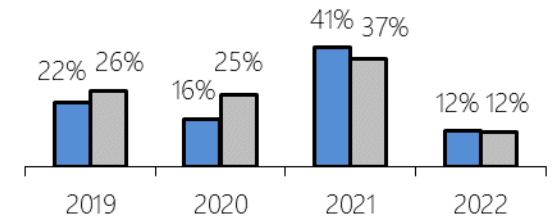
(9 months) (Ended 30 September)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	+/- vs Previous Rent Rates
Subang Parade	28	54,247	10.6%	-13.4%
Mahkota Parade	16	77,125	14.8%	-3.1%
Wetex Parade	21	23,582	13.5%	24.0%
Central Square	12	31,029	10.0%	11.6%
Kulim Central	16	69,197	23.1%	15.7%
Segamat Central	12	21,058	9.9%	13.1%
<b>Total / Average*</b>	<b>105</b>	<b>276,238</b>	<b>13.6%</b>	<b>0.8%</b>

\* Average Weighted by NLA

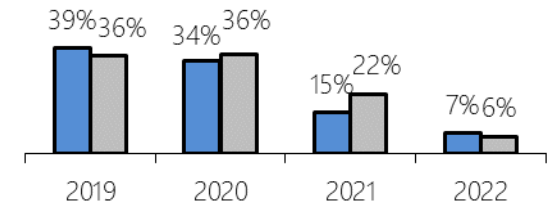
## Tenancy Expiry by Property



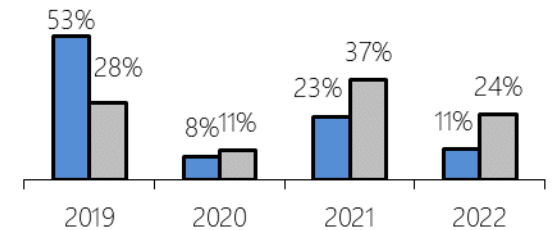
Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	41	113,340	22%	26%
2020	31	84,015	16%	25%
2021	28	210,651	41%	37%
2022	21	62,842	12%	12%



Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	47	201,401	39%	36%
2020	28	177,544	34%	36%
2021	31	78,189	15%	22%
2022	1	37,660	7%	6%



Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	9	92,925	53%	28%
2020	12	14,804	8%	11%
2021	31	40,655	23%	37%
2022	18	19,526	11%	24%

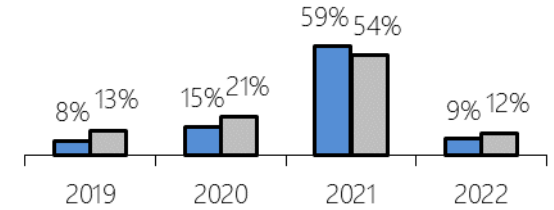


\*Based on total NLA and monthly rental income for September 2019. Figures may not round to 100% due to misc. items

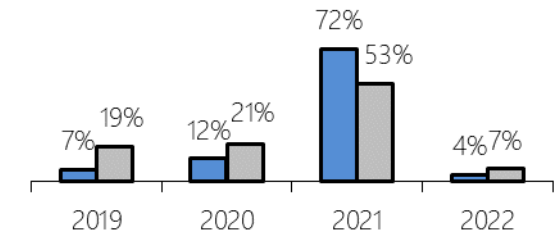
## Tenancy Expiry by Property



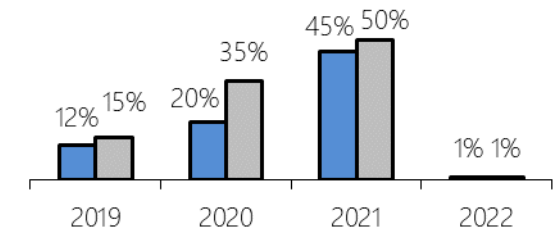
Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	12	24,069	8%	13%
2020	23	47,936	15%	21%
2021	19	184,561	59%	54%
2022	6	27,237	9%	12%



Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	15	19,915	7%	19%
2020	24	37,230	12%	21%
2021	32	215,524	72%	53%
2022	6	11,955	4%	7%



Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	12	25,292	12%	15%
2020	15	43,647	20%	35%
2021	23	95,990	45%	50%
2022	1	1,776	1%	1%



\*Based on total NLA and monthly rental income for September 2019. Figures may not round to 100% due to misc. items

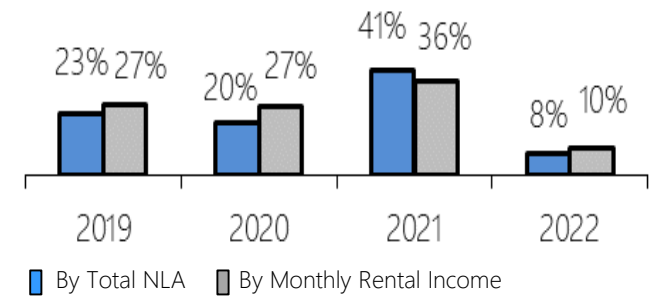
## Tenancy Expiry for Portfolio 2019-2022

- For FY 2019, the total amount of tenancies due for expiry was 136 which represented 476,942 sq. ft. or 23% of Total NLA.
- For 3Q 2019, a total of 43 tenancies covering 121,711 sq. ft. were renewed, representing 5.4% of Total NLA

## Portfolio Expiry Profile 2019-2022

Period End September	Tenancies Expiring	Expiring NLA (sq ft)	Expiring NLA as % of Total NLA	% of Monthly Rental Income*
2019	136	476,942	23%	27%
2020	133	405,176	20%	27%
2021	164	825,570	41%	36%
2022	61	160,996	8%	10%

\*Based on total NLA and monthly rental income for Sep 2019. Figures may not round to 100% due to misc. items



3Q19 Gross Revenue up 2.1% from preceding period ▶

3Q19 NPI down 3.1% from preceding period ▶

Financing Renewed: 92% of Debt expires in 2024 ▶

# Financial Results



## Revenue up by 2.1% in 3Q19

- Net Property Income lower by 3.1%
- Realised Income declined 11% vs previous quarter due to higher trust fees & expenses

Income Statement	3Q19	3Q18	Variance
Third Quarter 2019 (unaudited)	(RM '000)	(RM '000)	(%)
Revenue	34,137	33,419	2.1%
Direct Cost & Property Expenses	-15,237	-13,909	-9.5%
<b>Net Property Income (NPI)</b>	<b>18,900</b>	<b>19,510</b>	<b>-3.1%</b>
Interest & Other Income	149	141	5.7%
Trust Fees & Expenses	-4,052	-3,710	-9.2%
Interest Expense	-6,496	-6,390	-1.7%
<b>Realised Income Before Taxation</b>	<b>8,500</b>	<b>9,550</b>	<b>-11.0%</b>
Fair Value Adjustment of Investment Properties	3,739	-	-
Fair Value Change on Derivatives	-	-	-
<b>Net Income Before Tax</b>	<b>12,239</b>	<b>9,550</b>	<b>28.2%</b>
<b>Net Income per Unit (sen)</b>	<b>2.65</b>	<b>2.07</b>	<b>28.0%</b>
- realised	1.84	2.07	-11.1%

Please refer to the Quarterly Results Announcement for further details.

For Period 1 January – 30 September 2019  
(versus previous comparable period)

Income Statement Year-To-Date 2019 (unaudited)	9M19 (RM '000)	9M18 (RM '000)	Variance (%)
Revenue	102,224	101,226	1.0%
Direct Cost & Property Expenses	-46,501	-42,777	-8.7%
<b>Net Property Income (NPI)</b>	<b>55,723</b>	<b>58,449</b>	<b>-4.7%</b>
Interest & Other Income	600	314	91.1%
Trust Fees & Expenses	-10,496	-9,721	-8.0%
Interest Expense	-19,169	-18,809	-1.9%
<b>Realised Income Before Taxation</b>	<b>26,658</b>	<b>30,232</b>	<b>-11.8%</b>
Fair Value Adjustment of Investment Properties	3,739	-	-
Fair Value Change on Derivatives	-	266	-
<b>Net Income Before Tax</b>	<b>30,397</b>	<b>30,497</b>	<b>-0.3%</b>
<b>Net Income per Unit (sen)</b>	<b>6.58</b>	<b>6.60</b>	<b>-0.3%</b>
- realised	5.77	6.54	-11.8%

Please refer to the Quarterly Results Announcement for further details.



Balance Sheet (Unaudited)	As at 30.9.2019 (RM '000)	As at 31.12.2018 (RM '000)
<b>Non-Current Assets</b>		
Investment Properties	1,236,500	1,221,500
Plant & Equipment	111	141
Capital Work in Progress	-	6,129
Fixed Deposit with a licensed bank	1,491	1,447
	<u>1,238,101</u>	<u>1,229,217</u>
<b>Current Assets</b>		
Trade Receivables	17,887	18,217
Other Receivables, Deposits, Prepayments	7,690	7,504
Cash and Bank Balances	11,212	13,335
<b>TOTAL ASSETS</b>	<u><b>1,274,890</b></u>	<u><b>1,268,273</b></u>
<b>Long Term Liabilities</b>		
Tenancy Deposits	12,748	15,902
Borrowings	548,091	548,072
Derivative Financial Instrument	-	-
	<u>560,839</u>	<u>563,974</u>
<b>Current Liabilities</b>		
Trade Payables	8,410	5,588
Other Payables and Accruals	33,581	30,489
Tenancy Deposits	20,174	17,907
Borrowings	15,000	15,000
<b>TOTAL LIABILITIES</b>	<u><b>638,004</b></u>	<u><b>632,957</b></u>
<b>NET ASSET VALUE</b>	<b>636,886</b>	<b>635,316</b>
Unitholders' Capital	492,500	492,500
Retained Earnings - realised	40,971	43,140
Retained Earnings – unrealised	103,415	99,675
<b>TOTAL UNITHOLDERS' FUND</b>	<u><b>636,886</b></u>	<u><b>635,316</b></u>

## Unit Price Statistics

### As at 30 September 2019

No. of Units Outstanding  
461,960,178

Net Asset Value Per Unit  
RM 1.38

Unit Price  
RM 0.985

Market Capitalisation  
RM455,030,775

Premium / Discount to NAV  
**-28.6%**

Please refer to the Quarterly Results Announcement for further details.

## Debt Summary November 2019

- Facilities: Al-Murabahah, Term Loan (TL), Short-Term Revolving Credit (STRC)
- Financier: [Maybank](#)
- Total Debt: [RM563.1 million](#)
- Cost Structure: [Cost of Funds +1.00%](#)
- Weighted Cost: [4.66%](#)
- Gearing Ratio<sup>1</sup>: [44.2%](#)
- Interest Cover<sup>2</sup>: [2.31](#)

<sup>1</sup> Gearing ratio calculated by financing liabilities over Gross Asset Value (GAV). <sup>2</sup> Based on 3 months ended 30 Sep 2019

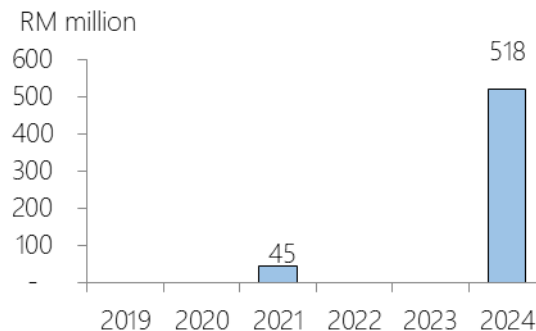
## Facilities

#	Facility	Amount (RM'000)	% Total Debt	Security	Expiry	Cost
1	MOD 1	184,000	32.7%	Subang Parade	Feb-24	4.80%
2	MOD 2	150,000	26.6%	Mahkota Parade	Feb-24	4.53%
3	STRC	15,000	2.7%	Mahkota Parade	Mar-21	4.56%
4	Term Loan	30,000	5.3%	Mahkota Parade	Mar-21	4.67%
5	MOD 3	54,300	9.6%	Wetex Parade	Feb-24	4.63%
6	MOD 4	32,800	5.8%	Wetex Parade	Feb-24	4.63%
7	MOD 5	64,972	11.5%	Kulim Central	Feb-24	4.63%
8	MOD 6	32,000	5.7%	Central Square	Feb-24	4.63%
<b>Total</b>		<b>563,072</b>	<b>100.0%</b>			<b>4.66%</b>

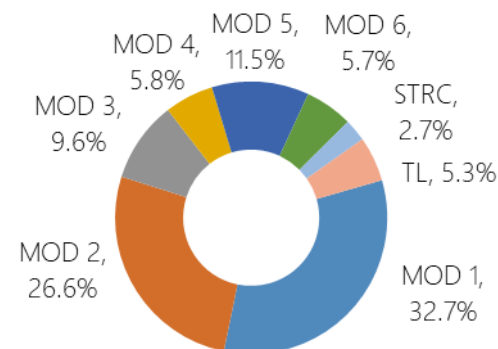
Note: STRC is reviewed annually. Cost of Funds based on floating rate.

## Expiry Profile 2019-2024

Year	% Debt
2019	0.0%
2020	0.0%
2021	8.0%
2022	0.0%
2023	0.0%
2024	92.0%



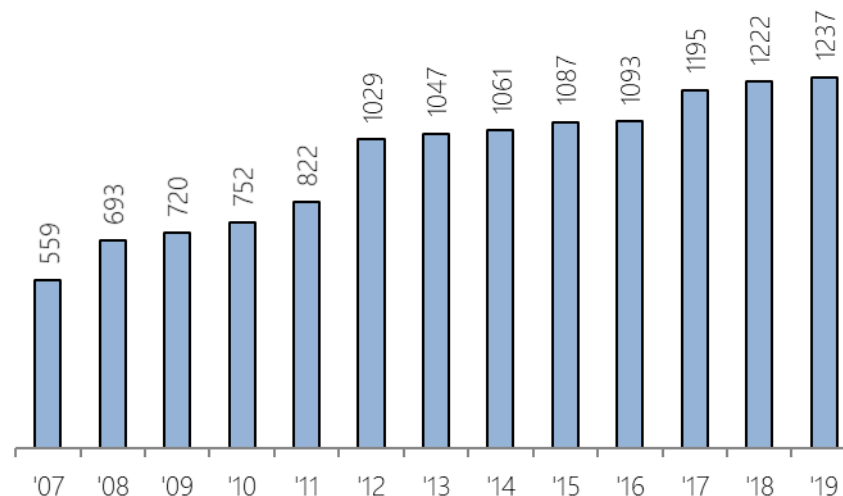
## Funding Composition



Portfolio valuation reached RM1.237 billion in 3Q 2019

- Increase of 1.2% from FY2018
- Overall Property Yield at 6.0%
- Valuation at RM609 per square foot
- Subang Parade remains the largest component at 36% of portfolio total
- Portfolio Size Compound Annual Growth Rate of 6.7% from 2007

Portfolio Asset Size 2007-2019 (RM '000)



Property	State	Valuer	FY18 Valuation (RM '000)	FY19 Valuation (RM '000)	% Total	FY2019 % Change	Cap Rate (Term)	Cap Rate (Reversion)	Property (NPI) Yield *	Valuation PSF (RM)
Subang Parade	Selangor	Savills	437,000	440,000	36%	0.7%	6.75%	7.25%	6.2%	860
Mahkota Parade	Melaka	Savills	328,000	329,000	27%	0.3%	6.50%	7.00%	6.8%	633
Wetex Parade	Johor	Savills	138,500	144,500	12%	4.3%	6.25%	6.75%	4.7%	826
Central Square	Kedah	Henry Butcher	96,000	97,000	8%	1.0%	6.50%	6.75%	6.0%	312
Kulim Central	Kedah	Henry Butcher	115,000	130,000	11%	13.0%	6.50%	6.75%	6.9%	434
Segamat Central	Johor	First Pacific	107,000	96,000	8%	-10.3%	6.50%	6.75%	3.4%	451
<b>Total</b>			<b>1,221,500</b>	<b>1,236,500</b>	<b>100%</b>	<b>1.2%</b>			<b>6.0%</b>	<b>609</b>

\* Based on NPI YTD annualised

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SEGAMAT  
CENTRAL  
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# Portfolio Updates

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New Tenants

## New Tenants



## New Supermarket Anchor: Family Store

- Opened October 2019



## Marketing: Piala Hektar Choral Speaking Competition 2019

- Signature Hektar marketing event featuring participation of all 6 malls' marketing initiatives
- Inter-city competition featuring 42 schools and over 1,100 students across 6 Hektar malls
- 6 schools competed for the Finals held at Classic Hotel, Muar on November 8, 2019
- CSR: Donation of RM2,000 to Kiwanis Malaysia





## Hektar REIT honours continued in second half 2019 with awards in Thailand

- ASEAN Energy Awards 2019 (Bangkok, Thailand)
  - First Runner Up, ASEAN “Energy Efficient Building (Retrofitted Building)”
  - Sustainability Efforts related to Subang Parade energy efficiency
- Asia Corporate Excellence & Sustainability Awards (ACES) 2019 (Bangkok, Thailand)
  - “Green Initiative Award” for sustainability efforts in Subang Parade

### ASEAN Energy Awards 2019



Third from left: Dato' Hisham bin Othman, Chief Executive Officer of Hektar Asset Management receiving the award for 'Energy Efficient Building' at the ASEAN Energy Awards & Gala Dinner held on September 4, 2019 at the The Athenee Hotel, Bangkok, Thailand.

### Asia Corporate Excellence & Sustainability Awards



Zarina Halim, Chief Corporate Officer of Hektar Asset Management (middle in the photo above) receiving the "Green Initiative Award" at the Asia Corporate Excellence & Sustainability Awards (ACES) 2019 on September 20, 2019 at The Athenee Hotel, Bangkok, Thailand.

## Hektar REIT wins at The Edge Malaysia Centurion Club 2019 Awards

- “Highest Return on Equity over Three Years” Award for REIT category
- 34 awards presented to 25 companies across 12 different sectors

The Edge Centurion Club 2019



Second from left: Dato' Hisham bin Othman, Chief Executive Officer of Hektar Asset Management receiving the award for from YB Lim Guan Eng at The Edge Centurion Club 2019 awards held on November 12, 2019 at the The W Hotel, Kuala Lumpur.

### Highest return on equity over three years: REIT: Hektar REIT - Impressive returns amid sluggish retail sentiment

Supriya Surendran / The Edge Malaysia  
November 18, 2019 17:06 pm +08

This article first appeared in The Edge Malaysia Weekly, on November 18, 2019 - November 24, 2019.

#### Hektar REIT

Year	Weighted ROE (%)
2016	7.1
2017	6.5
2018	6.66

WEIGHTED ROE 6.66%

OPEN ADVERTISEMENT

Snapshot: TheEdgeMarkets.com, November 18, 2019

# Creating The Places People Love



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