


MRCB Quill REIT

MRCB-Quill REIT

8th Annual General Meeting Presentation

12 June 2020, 10:00 a.m.

Important Notice

MRCB Quill REIT

This presentation is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in MRCB-Quill REIT ("MQREIT"). The past performance of MQREIT is not necessarily indicative of the future performance of MQREIT.

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitations) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses including employee wages, benefits and training, property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements which are based on the manager's current view of future events.

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The information in this Announcement must not be published outside Malaysia.

Contents

Slide No.


Snapshot
- FY 2019 At A Glance
Quill Building 1 – DHL 1

FY 2019 At A Glance - MQREIT's Performance

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Muted Performance in 2019

Realised Revenue RM162.1 mil

NPI RM121.8 mil

DPU 6.80 sen

DPU Yield 6.8%*

Total Assets RM2.213 bil

NAV Per Unit RM1.2011

Gearing Ratio 37.7%

Note:
** based on the closing price of RM1.00 per unit as at 31 December 2019*

Stable Portfolio Performance in 2019

92% Renewal Rate

Occupancy 90% 31 Dec 2019

WALE 4.90 years

Property portfolio RM2.14 bil valuation


Financial Results
- Financial Year Ended 31 December 2019
Quill Building 5 - IBM

6.80 sen DPU Declared for FY2019

(RM'000)	(Audited) FY 2019	(Audited) FY 2018	Variance
Realised Revenue	162,066	173,376	-6.5%
Net Property Income	121,748	132,801	-8.3%
Realised Income	72,108	84,654	-14.8%
EPU [1]	6.73 sen	7.91 sen	-14.9%
Distributable Income [2]	73,007	87,054	-16.1%
Distributable Income Per Unit	6.81 sen	8.13 sen	-16.2%
DPU [3]	6.80 sen	8.08 sen	-15.8%

1 EPU refers to Realised Earnings Per Unit (after manager's fees)

2 Distributable income for FY 2019 of RM73.01 million consist of realised net income of RM72.11 million adjusted for amounts previously not distributed amounting to RM0.9 million

3 DPU refers to Distribution Per Unit. FY 2019 DPU of 6.80 sen is 99.83 % of FY 2019 distributable income of RM73.01 million

6.80 sen DPU Declared for FY2019

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	FY 2019 RM '000	FY 2018 RM '000
Realised Net Income	**72,108**	84,654
Add: Distribution Adjustments		
Amounts previously not distributed	900	2,400
Distributable Income (a)	**73,008**	87,054
Income Distribution (b)	**72,881**	86,600
Weighted No of Units in Circulation ('000)	1,071,783	1,070,809
Distribution Per Unit (DPU) sen	**6.80**	8.08
% of Income distribution on Distributable Income (c) = (b)/(a)	**99.83%**	99.48%

Financial Performance Over The Years

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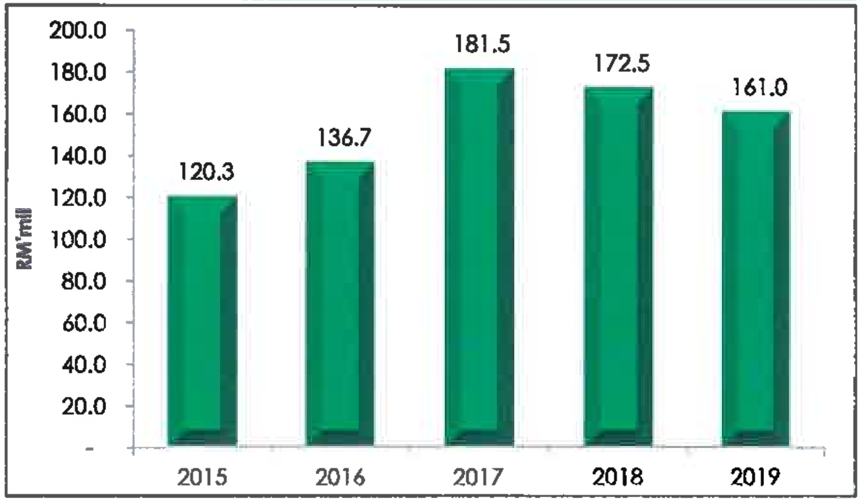
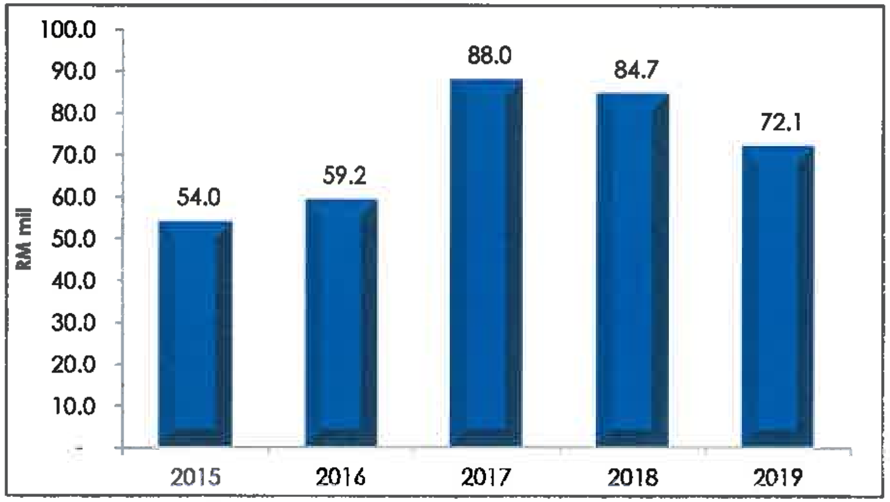
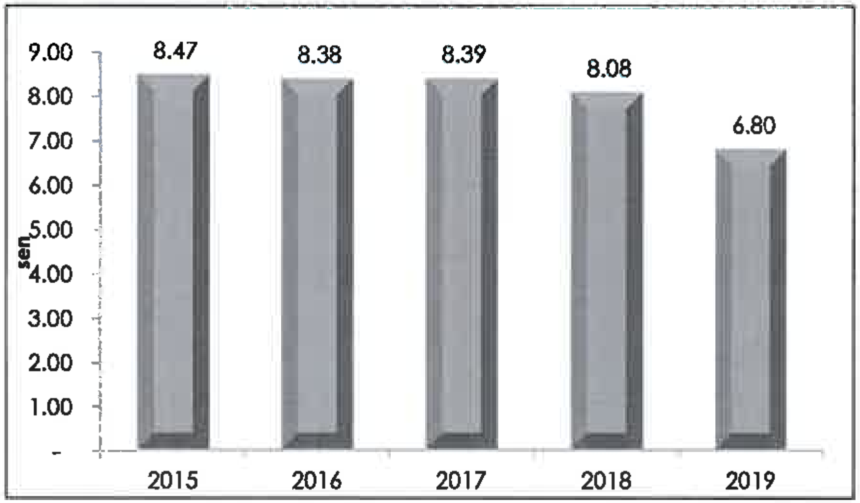
Gross Revenue
CAGR(1) : 13%



Distributable Income
CAGR(1) : 11%



Distribution per Unit
CAGR(1) : 0.4%



Note:
(1) CAGR – Compound Annual Growth Rate

Stable Balance Sheet

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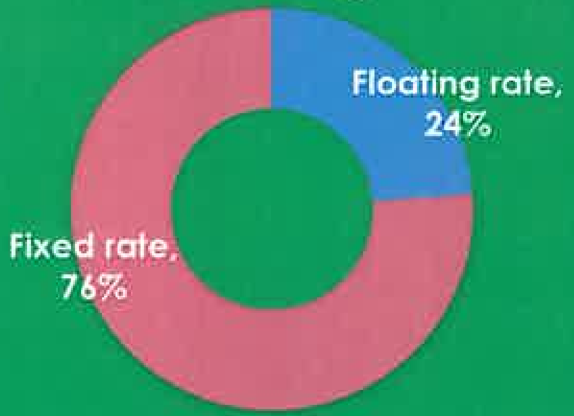
	(Audited) 31 Dec 2019 (RM'000)	(Audited) 31 Dec 2018 (RM'000)
Non Current Assets	2,144,136	2,179,272
Non Current Asset held for sale	-	-
Current Assets	69,568	92,433
Total Assets	**2,213,704**	**2,271,705**
Current Liabilities	354,118	26,157
Non Current Liabilities	536,097	873,259
Net Assets	**1,323,489**	**1,372,290**
No of Units	1,071,783	1,071,783
NAV per Unit (RM) *(after final distribution)*	**1.2011**	**1.2419**

Capital Management

Prudent Capital Management

- ✓ Next refinancing due in March 2020
- ✓ Stable financial indicators

Majority Fixed Rate Borrowings



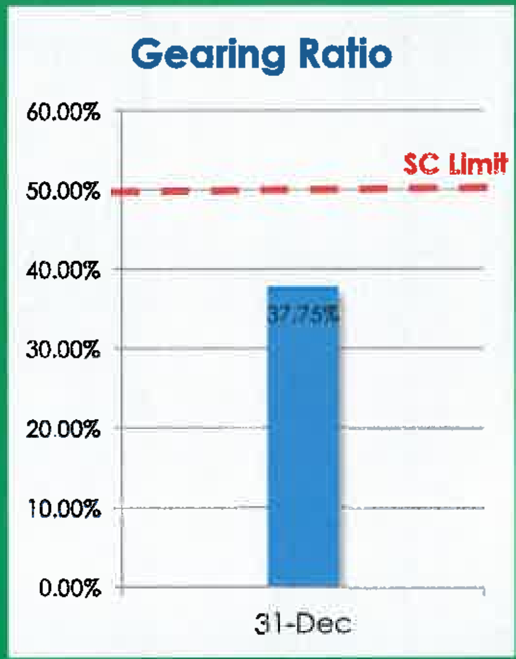
Total Debt: RM835.72 mil
(3Q 2019: RM836.29 mil)

Interest Coverage

2.94x

(3Q 2019: 2.92x)

Gearing Ratio



Below SC limit of 50%
Increase
(3Q 2019: 37.44%)

Average Cost of Debt

4.5%pa

Maintain
(3Q 2019: 4.5% pa)

Average Debt to Maturity

1.57 years

Decrease
(3Q 2019: 1.82 years)

Debt Maturity Profile

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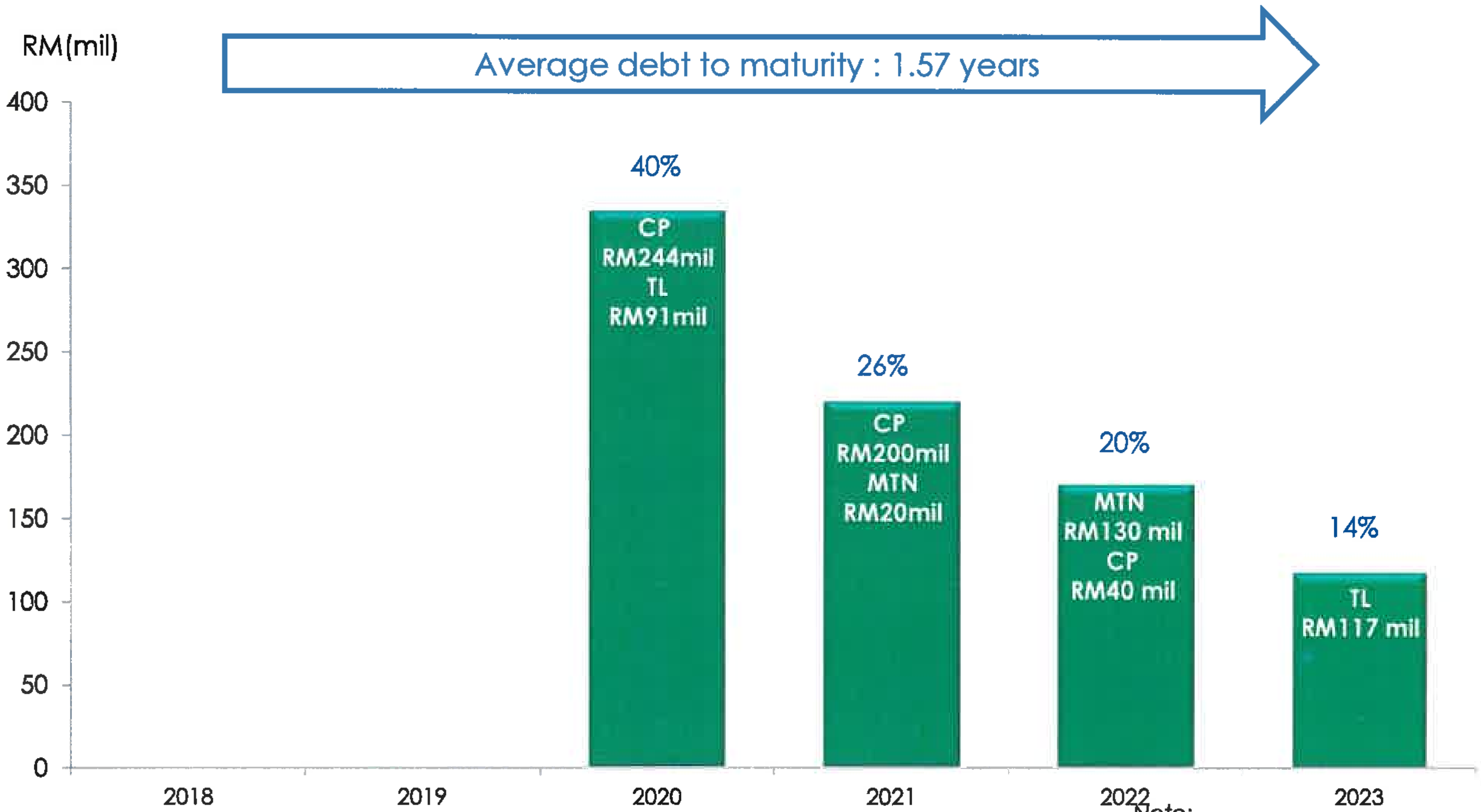
Next Refinancing Due in March 2020



Note;

1. *MTN - Medium Term Notes*
2. *CP – Commercial Papers*
3. *TL – Term Loan*


MQREIT Portfolio Update
Quill Building 3 - BMW

Portfolio of Quality Assets

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Quill Building 1 - DHL 1[c]

Quill Building 4 - DHL 2[c]

Platinum Sentral - KL Sentral [a]

Market Value of 10 Properties: RM2.14 bil[d]

Quill Building 3 - BMW[b]

Quill Building 5 - IBM[c]

Quill Building 2 - HSBC [b]

Menara Shell [a]

Total NLA: 2.19 mil sq ft[d]
*Excluding car park area

Portfolio Occupancy Rate: 90.0%[d]

Part of Plaza Mon't Kiara[a]

Wisma TechnipFMC [a]

TESCO Building Penang[b]

Weighted Average Term to Expiry: 4.9 years[d]

a) The Properties were valued by Nawawi Tie Leung Property Consultants Sdn. Bhd, an independent firm of professional valuer registered with the Board of Valuers, Appraisers & Estate Agents Malaysia.
b) The Properties were valued by CH Williams Talhar & Wong Sdn. Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia.
c) The Properties were valued by Knight Frank Malaysia Sdn. Bhd, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia.
d) A/s at 31 December 2019.

Market Valuation - 31 December 2019

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Name of Properties	Net Book Value as at 31 Dec 2019 (prior to Proposed Revaluation) ('000)	Market Valuation at as 31 Dec 2019 ('000)	Surplus /(Deficit) incorporated into fund ('000)	% increase / (decrease)	% of aggregate Appraised value
Quill Building 1- DHL1 & Quill Building 4- DHL 2	RM133,215	RM133,300	RM 85	0.06	6.2
Quill Building 2- HSBC	RM122,290	RM123,000	RM 710	0.58	5.7
Quill Building 3- BMW	RM 79,000	RM 78,000	(RM 1,000)	(1.27)	3.6
Wisma Technip	RM173,030	RM173,200	RM 170	0.1	8.1
Part of Plaza Mont' Kiara	RM118,200	RM118,500	RM 300	0.25	5.5
Quill Building 5 – IBM	RM 39,000	RM 40,000	RM 1,000	2.56	1.9
Tesco Building, Penang	RM140,000	RM140,000	-	-	6.5
Platinum Sentral	RM724,787	RM686,000	(RM38,787)	(5.35)	32.0
Menara Shell	RM650,209	RM651,000	RM 791	0.12	30.4
Total Valuation	**RM2,179,731**	**RM2,143,000**	**(RM36,731)**	**(1.69)**	**100.0**

Portfolio Occupancy – 31 December 2019

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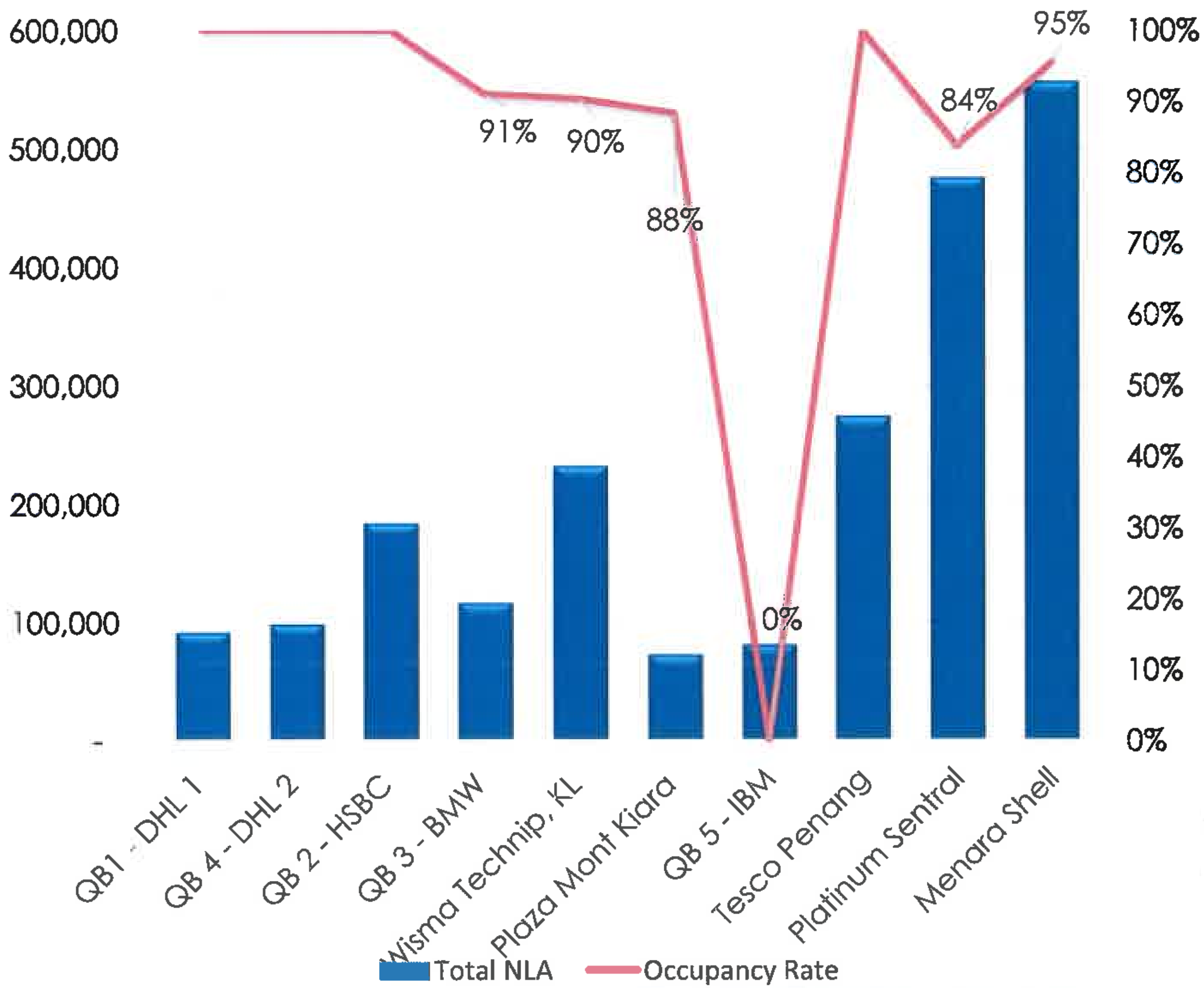
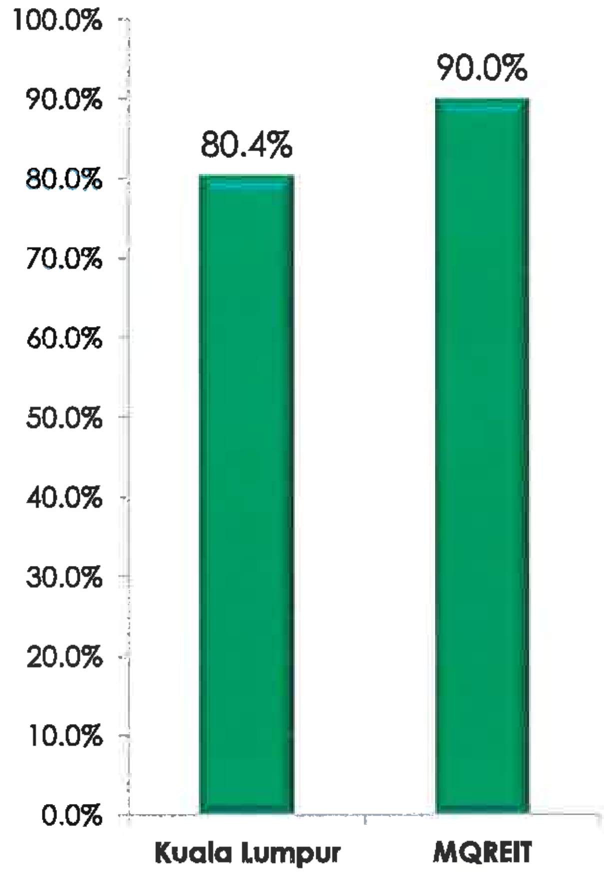
Resilient Performance of MQREIT Portfolio with **90%** Portfolio Occupancy Rate





Extracted from the Property Market Commentary December 2019 prepared by C H Williams & Wong Sdn Bhd

Lease Expiry Profile - 2019

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Completed renewals due in 2019 with **92%** take-up

NLA for Renewal 2019	sq. ft.	%
Renewed	260,000	71%
Not renewed (replaced with new lease)	77,000	21%
Not renewed (vacant)	32,000	8%
Total	**369,000**	

Renewed
Cyberjaya office (190,000 sf)
Retail (24,000sf)
KL Sentral office (46,000 sf)

New Leases
KL Sentral office (77,000 sf)

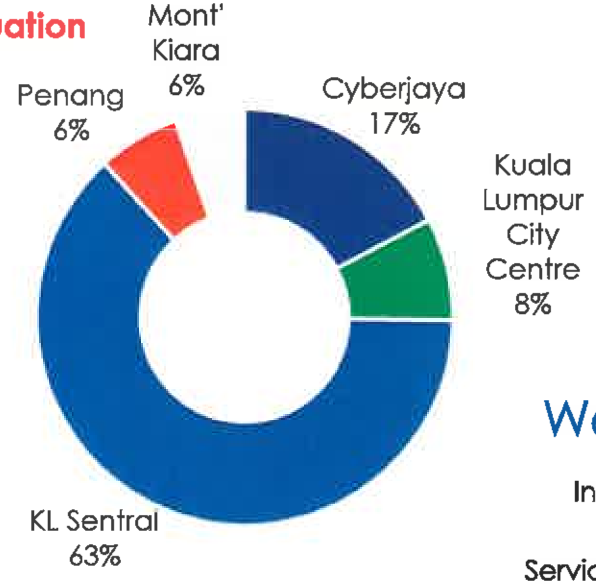
Not Renewed
Retail (3,000 sf)
KL Sentral office (27,000 sf)

In 2019, Platinum Sentral underwent a tenant reconfiguration exercise, with the introduction of a serviced office tenant after the departure of several government linked tenants. Increased tenancy mix from oil & gas sector

Stable Diversified Portfolio

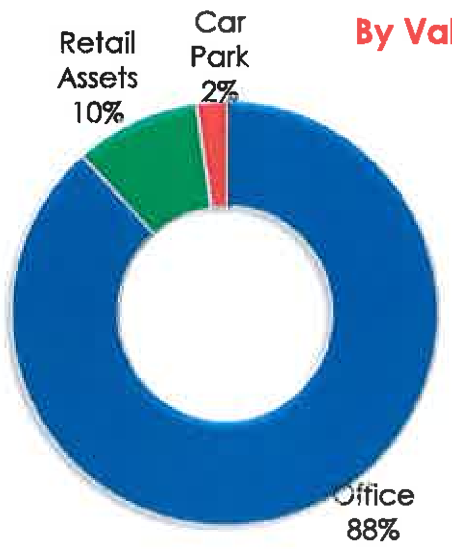
Geographical Diversification

By Valuation

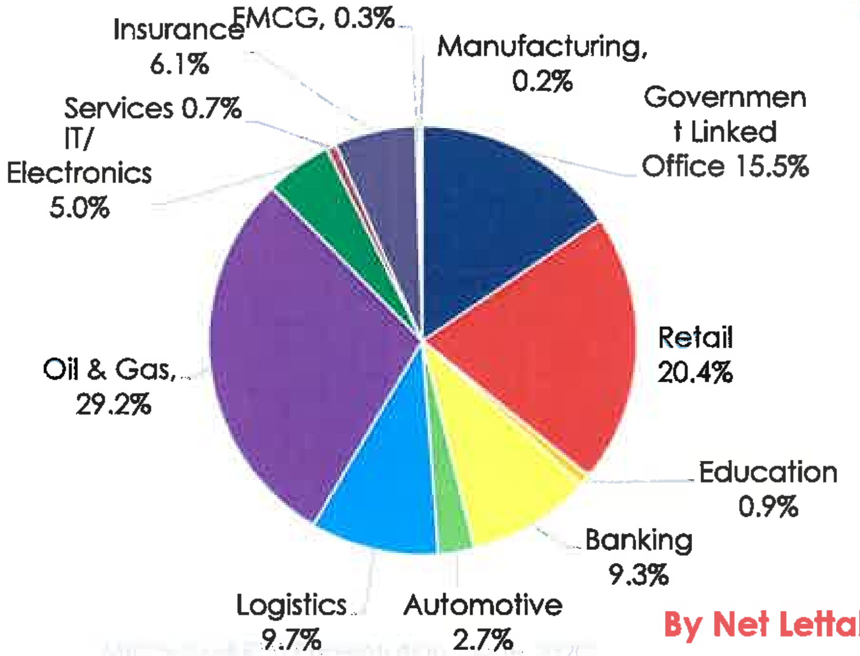


Segmental Contribution

By Valuation



Well Balanced Tenancy Mix



By Net Lettable Area

Continuing Leasing Strategies

- ✓ Proactive tenant engagement for renewals and regular communication with key strategic tenants
- ✓ Tenant retention
- ✓ Renewal ahead of lease expiry dates
- ✓ Spread out of tenancy expiry and tenancy mix
- ✓ Improve the quality of the properties to maintain existing tenants and attract new ones. Examples for some asset enhancements done in 2019 are as follows:

Platinum Sentral

- Refreshing podium L3 Block D land Block C lobby areas
- Toilet upgrades

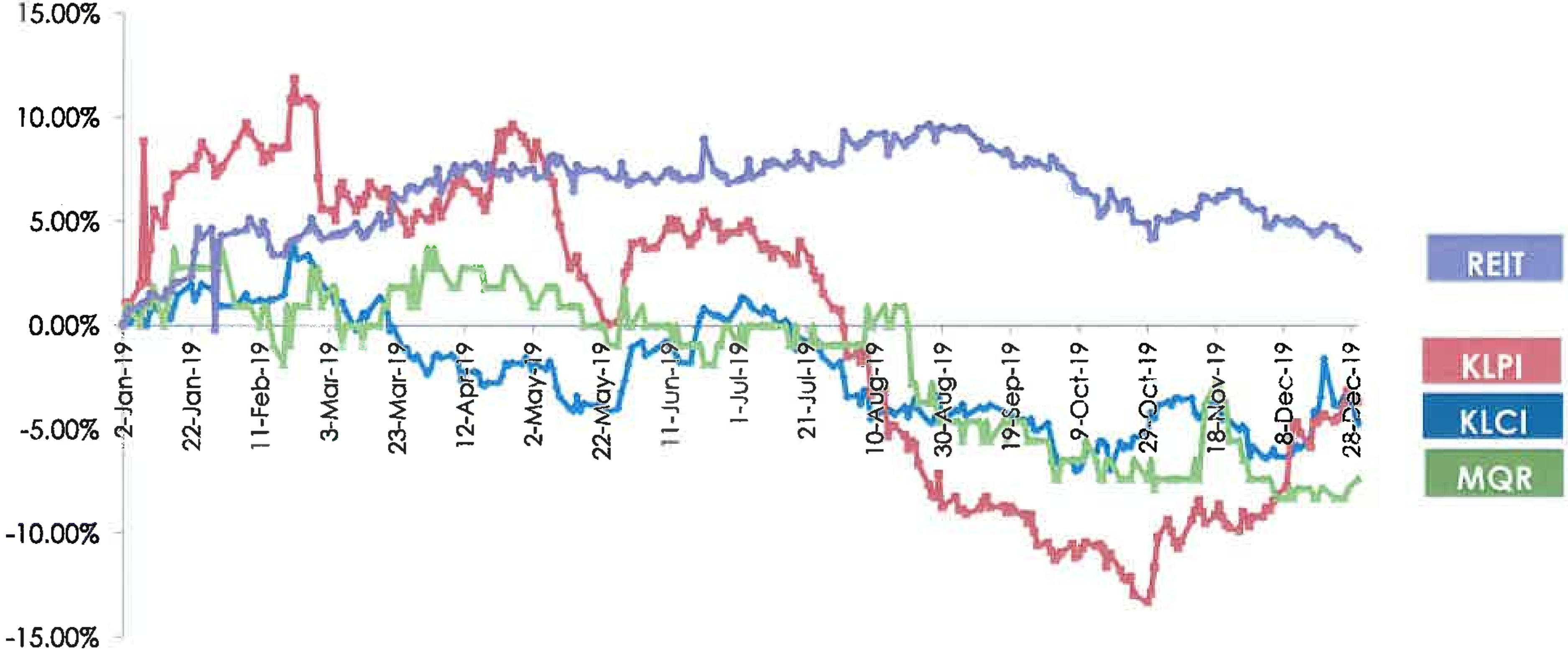
Wisma Technip

- Plus Jet Hand Dryers were installed This will help reduce paper and energy consumption
- Construction of a surau


MQREIT Unit Price Performance
Platinum Sentral

MQREIT Unit Price Performance

Comparative Trading Performance
Performance in Line with All Indices



MQREIT's Return on Investment	Capital Appreciation	Distribution Yield	Total Returns[1]
1 Jan 2019 – 31 Dec 2019	-7.4%	6.80%	-0.6%

1. *Sum of distributions and capital appreciation for FY 2019 over the closing unit price of RM1.00 on 31 December 2019.*

Comparative Yield Spreads

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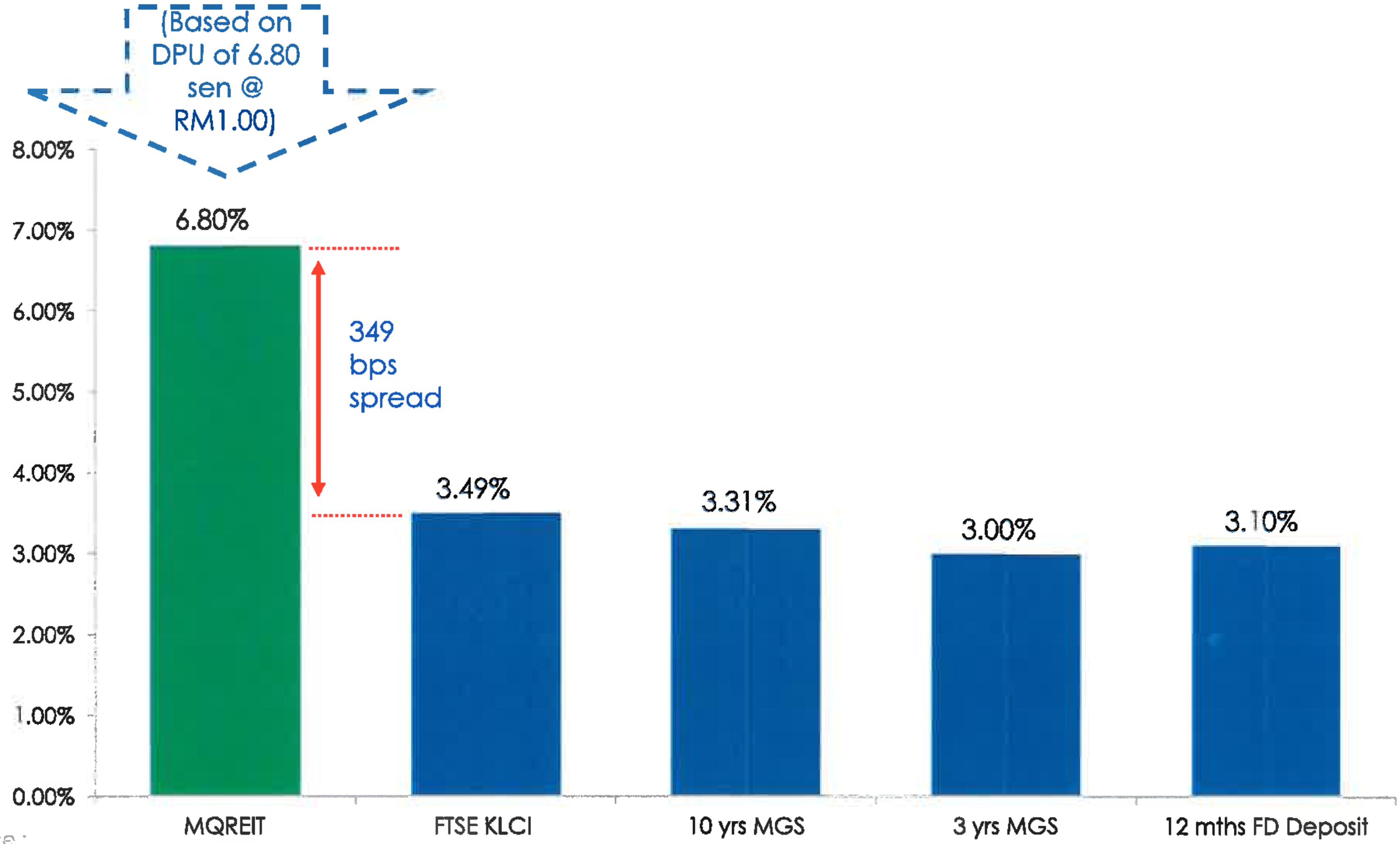
As at 31 December 2019



Source :

1) Rates for 3-yrs MGS & 10-yrs MSG rate was obtained from HSBC Daily Commentary Report dated 31 December 2019.
2) 12 months FD rate is from Maybank.
3) Dividend Yield of FTSE Bursa Malaysia KLCI as at 31 December 2019 is from Bloomberg.

- General Economy
- Office Market Outlook
- Continuing Strategies

Tesco Penang

Headlines that dominated FY 2019/2020

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Market Overview – Subdued & Challenging

Easing of global economy underpinned by lower global trade due to trade policy uncertainties;

Increased global economic uncertainties due to Covid – 19 virus outbreak;

In 2019, Malaysia's economic growth was 4.3% still within the range anticipated by Bank Negara Malaysia, despite considerable headwinds;

Due to Covid-19, Economic conditions would be particularly challenging in 1H 2020. BNM projected at between -2% to 0.5% in 2020;

Decline in business sentiment and consumer sentiment;

FBM KLCI on a downtrend since May 2019 after hitting its record high in 2018 - ended 6.0% lower than the previous year (31 Dec 2019: 1,588.76 points). Mid- March 2020, equity markets spiraled downhill due to Covid-19 outbreak;

Economic stimulus package by the government to alleviate some of the impact of Covid – 19 virus outbreak certain sectors i.e. tourism, retail, SME;

3x OPR cut in 2020. As at 5 May 2020 OPR reduced by 50bps to 2.0%;

Office market remains subdued : Impending increase in Klang Valley office supply exerts downward pressure on occupancy and rental rates. Covid-19 has also impacted an already vulnerable office market landscape;

Retail market most affected by the Covid – 19 virus outbreak;

Klang Valley Office Market Outlook

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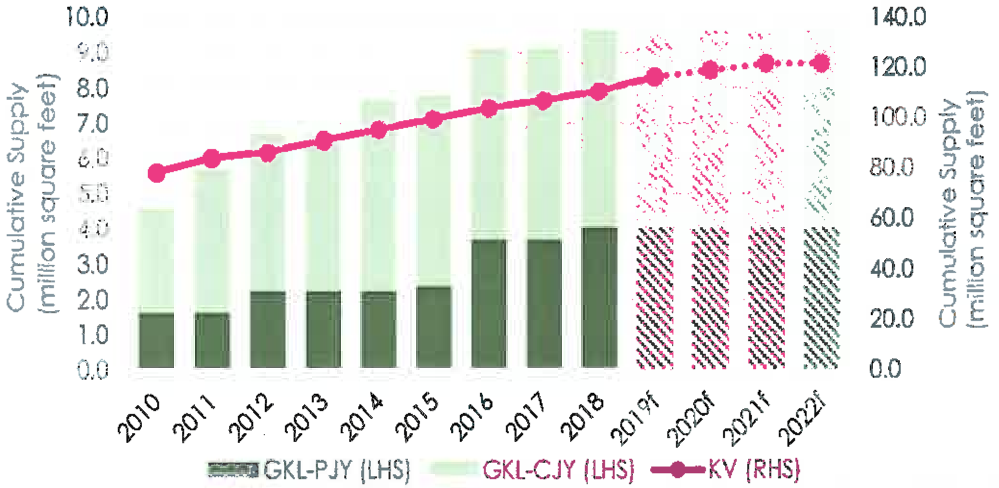
- (extracted from the Property Market Commentary on Purpose-Built Office ("PBO") Sector Klang Valley and Purpose-Built Retail Sector in Klang Valley and Penang December 2019 prepared by C H Williams Wong and Talhar Sdn. Bhd.)**

Cumulative Supply of Purpose-built Office Buildings in Klang Valley vis-à-vis Putrajaya & Cyberjaya (2010 to 2022f)



Abbreviation: GKL-Greater Kuala Lumpur; PJY-Putrajaya, CJY-Cyberjaya; f: forecast, RHS – Right Hand Side; LHS – Left hand Side
Source: CBRE|WTW Research, December 2019.

- As at 3Q 2019, Klang Valley (KV) had 111.93 million square feet of Purpose-Built Office (PBO) space. The existing supply of PBO buildings in Cyberjaya and Putrajaya was 5.6 million square feet and 4.01 million square feet respectively as at 3Q 2019, representing 60.5% of total supply in GKL.

- Another seventeen (17) PBO buildings contributing approximately 10.23 million square feet of PBO space are expected to be completed by end-2022. Most of these buildings are parts of large integrated developments such as Tun Razak Exchange and Merdeka PNB 118.

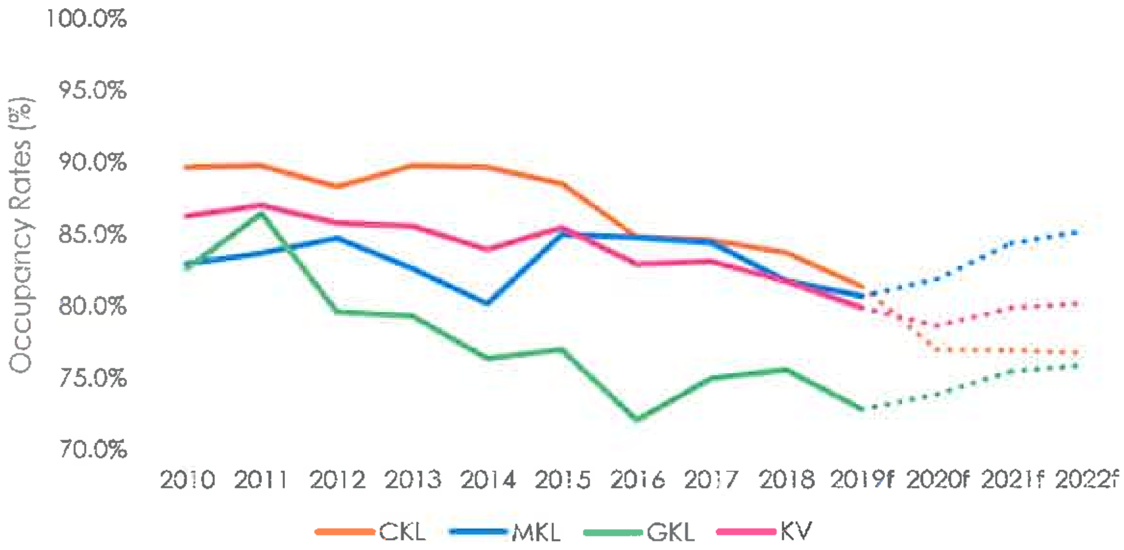
Note:
** Report prior to Covid-19 outbreak

Klang Valley Office Market Outlook

MRCB Quill REIT

- (extracted from the Property Market Commentary on Purpose-Built Office Sector Klang Valley and Purpose-Built Retail Sector in Klang Valley and Penang December 2019 prepared by C H Williams Wong and Talhar Sdn. Bhd.)**

Occupancy Rate of Purpose-built Office Buildings in Klang Valley (2010 to 2022f)



Abbreviation: CKL-Central Kuala Lumpur; MKL-Metropolitan Kuala Lumpur; GKL-Greater Kuala Lumpur; KV-Klang Valley; f: forecast
Source: CBRE|WTW Research, December 2019

- Klang Valley occupancy rates were stable averaging 80.4%.
- In Cyberjaya / Putrajaya, occupancy rates for PBO buildings averaged 62.2% (Cyberjaya: 72.9%, Putrajaya: 51.4%).

- Selected prime PBO buildings within CKL (excluding Petronas Twin Towers) are currently offering monthly gross rents of around RM6.80 – RM11.00 per square foot whereas in MKL and GKL, asking gross rents are between RM3.80 and RM5.50 per square foot per month (with the exception of KL Sentral and Bangsar South, which generally offered RM6.50-RM7.50 per square foot per month for MSC Status buildings).

Note:
** Report prior to Covid-19 outbreak

Klang Valley Office Market Outlook

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Covid-19 Impact and Challenges

While the retail market may be severely impacted by the Covid-19 outbreak, this unprecedented event has also impacted the office market landscape.

- Landlords has had to establish preventive measures to mitigate the risk of its properties being exposed to Covid-19.
- Tenants will also be required to evaluate its current business operations and may opt for remote working or split its office operations to various back up sites. This would translate to tenants re-evaluating its office space requirements to meet the new way of operating.
- Tenants may also hold back on expansion or new business opportunities in this uncertain times. Smaller office tenants, i.e. SMEs would be more vulnerable.
- The disruptions in the overall economy and business operations are expected to be prolonged and this will put more pressure on the overall occupancy and rental levels, in an already challenging and vulnerable office market.
- Landlords may have to provide rental rebates or restructure lease rental schedules for tenants in certain industries that are highly affected by the Covid-19 outbreak and if disruption caused by this outbreak protracted longer than anticipated.

Continuing Strategies

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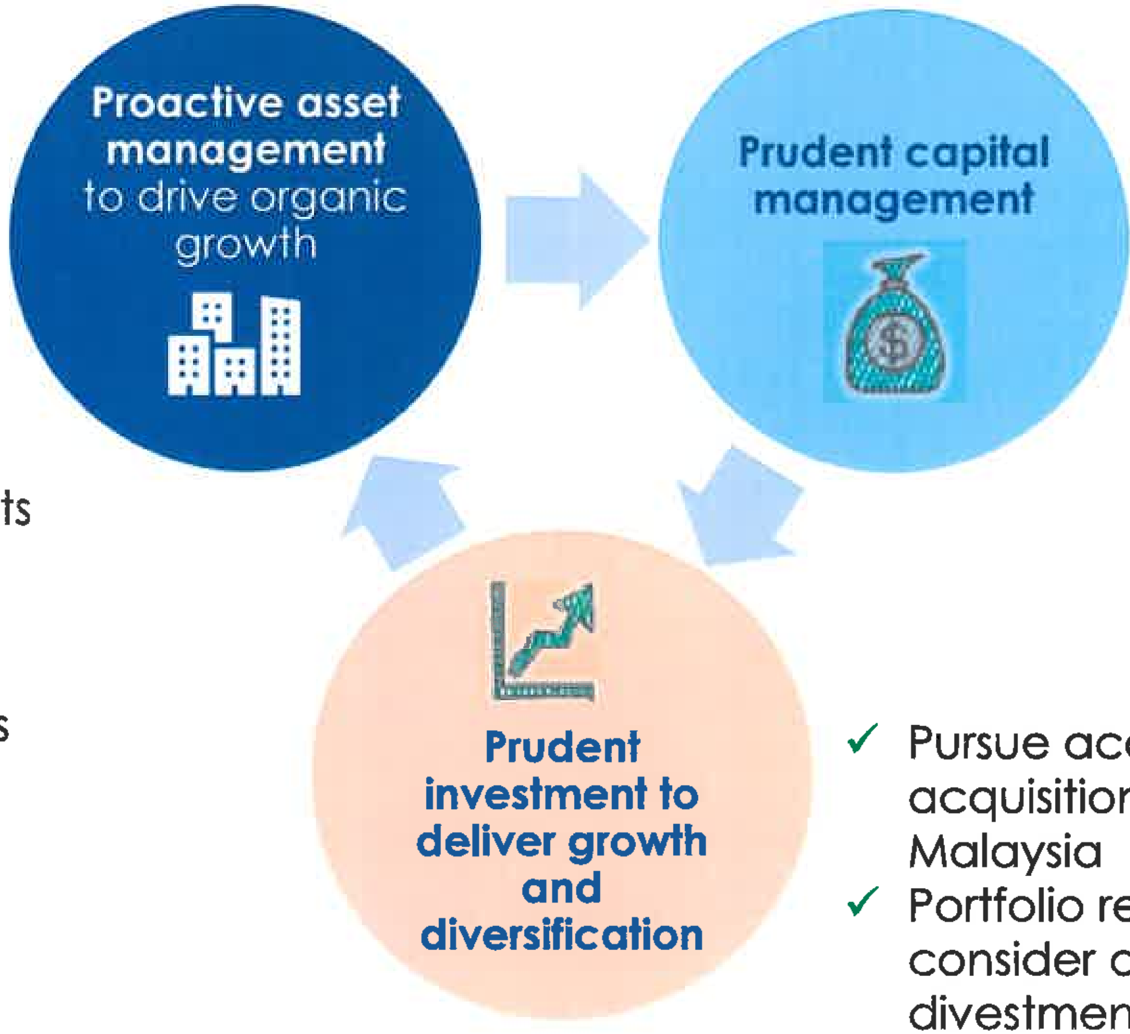
Delivering Sustainable Returns

- ✓ Strong tenant relations and tenant retention
- ✓ Continuous building improvements to enhance value and position assets to stay competitive
- ✓ Cost efficiencies and effectiveness



- ✓ Maintain strong balance sheet
- ✓ Appropriate interest rate management strategies
- ✓ Managing cash- flow efficiently

- ✓ Pursue accretive acquisitions within Malaysia
- ✓ Portfolio rebalancing – consider opportunistic divestment to unlock value at appropriate times


Accolades
Quill Building 5 - IBM

Accolades

The Edge Billion Ringgit Club Awards 2019

- At the Edge Billion Ringgit Club (BRC) Awards 2019, MQREIT won the award for Highest Growth in Profit After Tax (PAT) over 3 years under the Real Estate Investment Trust category

- Based on PAT over a 3 year period ending 31 Dec, 2018

- Other REIT winners include:
  - ✓ YTL Hospitality REIT – Highest Returns to Shareholders over 3 years
  - ✓ IGB REIT – Highest Return on Equity over 3 years

Note:

1. *Highest Return on Equity Over Three Years award must be profitable every year throughout the evaluation period*
2. *Highest Returns to Shareholders award are judged purely based on total return, consisting of share price gains and dividends over a three-year period*

Accolades

MRCB Quill REIT

The Asia Pacific Best Of The Breeds REITs Awards

- Best of the Breeds REITs Award for Office REIT Malaysia (Gold)
- Best of the Breeds REITs Award for CEO Office REIT Malaysia (Platinum)

THE 6TH EDITION REITS ASIA PACIFIC 2019™

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Thank you

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