

ESR records stellar financial and operational results in 1H2022¹

- *Successful acquisition and integration of ARA – ESR delivered outsized EPS² growth of 31.8% year-on-year*
- *AUM increased 14% year-on-year to US\$149 billion³ supercharged by New Economy which delivered 23% growth to reach US\$67 billion³*
- *Total EBITDA² and Core PATMI^{2,4} achieved strong growth of 15.3% and 27.3% year-on-year to US\$665 million and US\$389 million, respectively*
- *Stabilized Group New Economy occupancy hit a record 96%⁵ (99%⁵ ex-China) with record leasing of 2.0 million⁵ sqm across the portfolio in 1H 2022*
- *Largest New Economy development workbook in APAC, reaching US\$12 billion⁵ fuelled by record development starts of US\$3.5 billion⁵ (up 109% year-on-year) and US\$2.0 billion⁵ of completions (up 51% year-on-year)*
- *Robust balance sheet with gearing further reduced to 17.9% on the back of record capital recycling (US\$1.4 billion of assets); significant liquidity (US\$2.0 billion of cash) on balance sheet and in funds (US\$17.9 billion⁶ of “dry powder” to deploy)*
- *Returning value to shareholders with maiden interim dividend of HK\$0.125 per share (1.6 US cents) implying a 1.3%⁷ dividend yield)*

HONG KONG, 25 August 2022 – ESR Group Limited (“ESR” or the “Company”, together with its subsidiaries as the “Group”; SEHK Stock Code: 1821), APAC’s largest real asset manager powered by the New Economy, today announced its results for the six months ended 30 June 2022 (“1H2022”).

The Group’s adjusted revenue⁸ for 1H2022 is US\$432 million, up 9.4% from the pro-forma 1H2021 revenue US\$395 million. Total EBITDA² increased by 15.3% from US\$577 million in 1H2021 to US\$665 million in 1H2022. PATMI² and Core PATMI^{2,4} grew 16.8% (from US\$353 million in 1H2021 to US\$412 million) and 27.3% (from US\$306 million to US\$389 million) in 1H2022, respectively. Strong recurring income from the growth in the Group’s co-investments in funds, associates, and joint ventures contributed to higher PATMI and Core PATMI. Given the weakening of local currencies across APAC in relation to the US dollar in 1H 2022, total PATMI would have increased by 23% from US\$353 million in 1H 2021 to US\$434 million in 1H 2022 on a like-for-like basis based on forex as of 31 December 2021. Following the successful accretive acquisition of ARA, EPS² growth was 31.8% despite the enlarged share base.

¹ In the interests of providing a more uniform illustration of the growth achieved, the Group’s first half 2022 results have been compared to the pro forma ESR Group in first half 2021 as if the ARA acquisition had already been completed. Comparisons to the stand-alone ESR Group without the ARA acquisition (which was completed on 20 Jan 2022) are also provided in the comparison table

² Excludes amortisation of intangibles and transaction costs relating to ARA and M&A related items such as bargain purchase and financial instruments in relation to certain associates. Reclassification of Cromwell under Investment segment to reflect the current asset heavy nature of the investment

³ Based on constant forex translation as of 31 December 2021 for a like-for-like comparison. Based on forex translation as of 30 June 2022, total AUM would be US\$138 billion (US\$11 billion forex translation impact) and New Economy AUM would be US\$63 billion (US\$4 billion forex translation impact). Includes ESR Data Centre Fund 1 which was disclosed in a news release on 25 July 2022

⁴ Excludes fair value on completed investment properties, share-based compensation expense and tax effects of adjustments

⁵ New Economy assets only. Based on stabilised assets on balance sheet and portfolio assets held in the funds and investment vehicles as at 30 June 2022

⁶ Includes ESR Data Centre Fund 1 which was disclosed in a news release on 25 July 2022

⁷ Based on closing share price of HK\$19.12 as of 24 August 2022; on an annualised basis

⁸ Excludes construction income related to the sale of CIP in Australia

US\$ million	1H 2022 (a)	1H2021 (Pro Forma) (b)	1H2021 ESR standalone) (c)	Growth (%) (a) vs (b)	Growth (%) (a) vs (c)
Adjusted Revenue ⁸	432	395	178	9.4	142.9
Total EBITDA ²	665	577	380	15.3	75.2
PATMI ²	412	353	214	16.8	92.6
Core PATMI ^{2,4}	389	306	167	27.3	133.3

Jeffrey Perlman, Chairman of ESR, said: “I am very pleased to report that the Group has delivered stellar performance for 1H 2022. Despite numerous headwinds in the first half of the year including rising interest rates, sustained inflation, increasing geopolitical tensions and zero COVID policies, the ESR Group continues to be able navigate this complex environment effectively to deliver for our shareholders. Our successful acquisition of ARA earlier this year has further expanded our fee base and our New Economy business with the addition of LOGOS has never been stronger. In fact, our development starts and completions were up over 100% and 50% year-over-year, respectively, on the back of record low vacancies, record leasing for our existing portfolio and customers who are pushing us for more space. This has contributed to further growth in our development workbook which represents the largest in APAC at US\$12 billion and one of the largest globally.

With an evolving market environment, we also wanted to take advantage of opportunities to lock in gains and actively recycle capital. I am pleased to report that we achieved a record US\$1.4 billion of divestments from our balance sheet (returning over US\$1.0 billion of cash to the Group), which helped to lock in and crystalize development gains mainly from China. This was more than double our historical annual capital recycling target. Combined with generally lower co-investment stakes on new funds raised, we have succeeded in accelerating our asset light trajectory and are setting ourselves up for improved returns on future capital deployed. From the launch of our first Pan Asia discretionary logistics development vehicle to the Group’s inaugural US\$1 billion APAC data centre fund, ESR is extending our reach as the leading New Economy real estate platform in Asia Pacific.

Given the strong execution, the Group is well-positioned to deliver sustainable growth to shareholders. We have made our balance sheet more efficient, we have US\$17.9 billion⁶ of undrawn capital from our funds to deploy and we are benefitting from the addition of ARA’s recurring and stable fee revenue. Our strong business fundamentals mean we are ready to commence our maiden dividend to deliver long-term value to shareholders.”

Maiden dividend declaration - delivering value to shareholders

The Board of ESR Group has declared an inaugural interim dividend of HK\$0.125 (1.6 US cents) per share (which implies a 1.3%⁷ yield) for the financial year ending 31 December 2022, amounting to US\$70 million, which is payable to shareholders on 30 September 2022. The distribution of a dividend follows the announcement of ESR’s Dividend Policy last month, underscoring the Group’s commitment to deliver returns and continued growth to its shareholders.

Exceptional fund management performance fuelled by strong capital support

ESR Group's Fund Management segment continued to record new highs in terms of performance given the strong support from its capital partners. Fund Management EBITDA² increased 9.2% to US\$288 million, driven by high recurring fee revenue from higher AUM, record development, leasing fees and solid promotes. This was even a stronger result as the first half 2021 Fund Management EBITDA (on a pro forma basis) was a very robust period for comparison given that it delivered higher EBITDA than in the second half of 2021 (on a pro forma basis). Segment growth was driven by the exceptional growth momentum of the Group's fund AUM which rose 14% to US\$146 billion⁹ on a normalised basis as well as the record development starts and leasing fees. New Economy AUM grew 23% year-on-year to US\$67 billion³.

The Group continues to see strong capital flows from global institutional investors who are seeking to strategically rebalance their portfolios into New Economy sectors. Supported by the deep capital partner relationships and track record the Group has established, the Group raised US\$3.9 billion⁶ (over 80% is New Economy focused) through 15 new or upsized funds and mandates. This includes the newly launched Pan Asia discretionary development vehicle and the Group's inaugural US\$1 billion APAC data centre fund which comprises a development pipeline of eight seed projects with over 260 megawatts of capacity.

In addition, the Group, in partnership with a leading global institutional investor, acquired a prime logistics and industrial portfolio in Greater Shanghai, China. The portfolio, which consists of 11 completed logistics and industrial assets with a total GFA of over 550,000 sqm, represents the largest logistics and industrial portfolio ever sold in Greater Shanghai. In South Korea, ESR also upsized its second development joint venture with APG and Canada Pension Plan Investment Board ("CPP Investments") by up to US\$1 billion for investment in and development of a best-in-class industrial and warehouse logistics portfolio.

As of 30 June 2022, the Group has US\$17.9 billion⁶ of dry powder capital (equity and debt) to deploy into new investments.

Strong operational and robust leasing performance with near zero vacancy rates in mature markets

The Group achieved strong leasing progress for 1H2022 with a record of over 2.0 million sqm of space leased. This was primarily driven by e-commerce acceleration and supply chain resilience which continues to generate demand for modern, institutional-grade logistics facilities in key gateway markets. Portfolio occupancy reached an all-time high at 96%⁵ (99%⁵ ex-China) with close to full occupancies in most markets. High occupancy is underpinning strong rental growth in many of the markets in which the Group operates. In particular, ESR has seen an overall positive weighted average portfolio rental reversion of 5.8%⁵ which was recorded across the New Economy portfolio. The Group's portfolio has a weighted average lease expiry ("WALE") (by income) of 4.9 years⁵ and coupled with relatively subdued supply in many of the markets in which it operates, the Group expects to be able to continue to capture strong rental reversions. In fact, 40% of ESR's lease expiries are due within the next 30 months, positioning the Group to benefit from the outsized rental growth across its major markets.

⁹ Based on constant forex translation as of 31 December 2021 for a like-for-like comparison. Based on forex translation as of 30 June 2022, total Fund AUM would be US\$135 billion (US\$11 billion forex translation impact). Includes ESR Data Centre Fund 1 which was disclosed in a news release on 25 July 2022

Record development starts fuel APAC's largest development workbook

ESR has over 38.0 million sqm of GFA in operation and under development across its portfolio and a sizable landbank of over 4.4 million sqm for future development, as of 30 June 2022. For 1H2022, the Group achieved US\$3.5 billion worth of development starts, as well as US\$2 billion in completions. Given the record low vacancy rates across the portfolio, the Group substantially increased its development starts by 109% year-on-year which was further complemented by development completions which increased by 51% year-on-year. On the back of that continued progress, the Group has US\$ 12 billion in development work-in-progress ("WIP"), the largest development workbook in APAC.

ESR's strong development pipeline includes a number of landmark projects that are set to create new benchmarks in the market:

- In Japan, the Group is developing the ESR Yokohama Sachiura Logistics Park in Greater Tokyo. The multi-phase development provides approximately 720,000 sqm logistics space over four phases, set to be the largest logistics park (by value) in Japan and one of the largest ever developed (by value) in APAC upon completion. Its second phase, ESR Yokohama Sachiura Distribution Centre 2, commenced construction in June 2021 and is scheduled for completion in January 2023 (which follows the recent completion in 1H 2022 of Phase I).
- The Group is developing a US\$1.5 billion multi-phase logistics park, ESR Kawanishi Distribution Centre, on a 505,647 sqm site in Greater Osaka, unveiling one of the largest and most significant urban rezoning developments to accommodate Japan's ongoing expansion in e-commerce driven New Economy real estate.
- LOGOS and its partners are in the process of developing the US\$3 billion Moorebank Logistics Park, Australia's largest intermodal logistics facility at Moorebank in south-western Sydney, into high quality industrial property and infrastructure including initial approval for 850,000 sqm of warehouse opportunities directly adjacent to key rail intermodal facilities being developed by Qube Holdings Limited with direct linkage to Port Botany and the regional New South Wales and interstate rail networks.
- In Singapore, ESR is partnering PGIM Real Estate in a built-to-suit redevelopment to build a 64,490 sqm logistics facility for POKKA, which has signed a 10-year lease to commit a minimum of 70% of the building space.

Key development starts in 1H 2022 included the Sime Darby JV (Malaysia), Moorebank Phase II (Australia), Busan New Port (South Korea), ESR Green Link Estate (Australia) and Kunshan Zhonggang (China). Key development completions included ESR Yokohama Sachiura Distribution Centre 1 in Greater Tokyo and Phases 1 and 2 of Opo Logistics Park in Greater Seoul. ESR KendallSquare, ESR's South Korean platform, completed a total of 520,000 sqm of Class A logistics space in South Korea during the first half of 2022, constituting approximately half of the Group's completions. Upon completion, the logistics space was fully pre-leased to high quality tenants, including one of the largest e-commerce companies in Korea and the logistics arm of a major global electronics provider amongst others.

Strong commitment to a robust balance sheet and an accelerating asset light strategy

The Group continues to take a disciplined approach to financial positioning with a well-capitalised balance sheet with US\$2 billion of cash and low net gearing of 17.9%¹⁰ as of 30 June 2022. The Group continues to expand and proactively diversify its funding and capital structure.

¹⁰ Net Debt/Total Assets as of 30 June 2022

- In November 2021, the Group closed its first Sustainability-Linked Loan (“SLL”) of US\$700 million which was subsequently upsized to US\$1 billion at Libor +2.25% and Libor +2.75% for 3-year and 5-year tranches respectively. As of 30 June 2022, the Group has fully drawn down the loan.
- In January 2022, the Group closed a 5-year JPY28 billion SLL, which was upsized to JPY32.5 billion at Tibor +1.8%.
- In May 2022, the Group closed a 5-year S\$300 million SLL at SORA +1.65%.

The Group remains focused in its capital recycling strategy and asset-light approach. In 1H2022, the Group divested over US\$1.4 billion of its balance sheet investments primarily in China to ESR managed funds, exceeding the Group’s annual capital recycling target. The sell down of over 873,000 sqm portfolio in China represented the Group’s largest self-developed balance sheet sell-down to date. The Group also executed on the successful tender of its 18.16% holding in China Logistics Property Holdings Co., Ltd in May 2022, receiving US\$349 million and crystalizing a strong return on this 4-year investment.

Best-in-class practices to drive Environmental, Social and Governance (“ESG”) initiatives across the enlarged Group

The Group has made great progress on its ESG efforts set out in the *ESG 2025 Roadmap*. To date, the Group has closed a total of approximately US\$2.5 billion in Sustainability-Linked Loans (“SLL”), reinforcing the Group’s sustainable financing and operations, as it continued to integrate ESG into its financial management, operations and future planning. In June 2022, ESR became a signatory to the United Nations-supported Principles for Responsible Investment (“PRI”), reinforcing its commitment to adopting and promoting responsible investment practices. On diversity and inclusion, the Group continues to have strong female representation of approximately 40% across its workforce, and 60% of its independent non-executive directors who are women.

Sustainability features are increasingly being incorporated in the development of ESR’s assets. The Group is working to increase the deployment of rooftop solar power generation across the portfolio, with a target of 50% increase in solar power generation by 2025. Approximately 100 MW of rooftop solar capacity is being set up, including projects planned for this year. To further such commitment and efforts, the Group has commissioned ongoing third-party solar feasibility studies to increase renewable energy performance across the portfolio, leading to improved efficiency of tenants’ operations. In June 2022, the Group signed a memorandum of understanding with CLP Power Hong Kong Limited and CLPe Group to leverage their energy and infrastructure solutions expertise to develop sustainable data centres and logistics centre in Hong Kong. In addition, ESR is the first real asset manager to work with Enerbank in Japan to provide environmental value to tenants with the country’s authorised Green Energy Certificate system, with ESR’s self-generated solar power from its facilities now recognised as part of the power grid in Japan in exchange for renewable energy consumption.

Looking ahead

The Group remains confident in the strong fundamentals and future prospects for real assets. E-commerce acceleration and digital transformation will continue to drive demand for logistics infrastructure and data centres. Moreover, global investors are increasingly consolidating their relationships towards a limited number of large-scale managers and allocating more capital to a smaller roster of platforms. Capitalising on these trends, ESR is firmly focused on accelerating its growth in size, scale and offerings.

Jeffrey Shen and Stuart Gibson, ESR Co-founders and Co-CEOs, said: “We are proud to have delivered outstanding performance for 1H2022. Globally, especially in Asia Pacific, economies are rebounding as many pandemic related restrictions have been eased. We will focus in meeting the outsized demand for logistics, industrial and life science space as a part of a renewed push by governments to onshore key activities. Additionally, we will continue to scale our data centre efforts to deliver on the critical need

for digital infrastructure across APAC. With our unique multi-asset class exposure and market leadership positions in APAC, we are poised to deliver a fully integrated one-stop solution to leading global capital partners and customers.

The Group has made great progress in building the foundation for long-term sustainable growth. We are delighted to have the support across our asset management platform from many of the world's leading sovereign wealth funds, pension funds and insurance companies. Whilst we remain cautious about the changing external environment, we are in a strong position to weather any unforeseen headwinds and further capitalise on opportunities that may present themselves."

About ESR

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With over US\$140 billion in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – *Space and Investment Solutions for a Sustainable Future* – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at www.esr.com.

For more information on ESR, please visit www.esr.com.

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