

ESR delivers strong FY2021 results with record achievements

FY2021 highlights

- AUM hit a record high of US\$39.4 billion, up 32% year-on-year (“y-o-y”)
- Achieved record capital raising of US\$5.8 billion with 9 new/upsized funds and mandates, representing 64.3% y-o-y growth
- Achieved record (i) development starts worth of US\$3.3 billion, (ii) work-in-progress (“WIP”) of US\$7.1 billion and (iii) leasing of 3.3 million sqm
- Accelerating Fund Management EBITDA growth of ~35% y-o-y to US\$199 million
- Delivered record Total PATMI^{1,2} of US\$377 million, up 31.7% y-o-y

FY2021 highlights of enlarged ESR Group on a pro forma basis

- Total AUM³ of US\$140.2 billion, up 21% y-o-y with New Economy AUM⁴ of US\$59 billion (54% of total AUM⁵)
- Highly accretive transaction - acquisition multiple of ARA has been reduced to 15.4x EV / FY21 ARA Group EBITDA⁶ based on strong full year results
- Achieved record capital raising of US\$13.2 billion across the Group
- Achieved record (i) development starts of US\$5.4 billion, (ii) WIP of US\$10.5 billion⁷ – the largest in APAC and (iii) leasing of 4.3 million sqm across portfolio
- “Re-equitised” balance sheet with ~20% net gearing, lower cost of funding and a robust cash position of US\$1.9 billion

HONG KONG, 24 March 2022 – ESR Cayman 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 financial year ended 31 December 2021 (“FY2021”).

FY2021 Financial Highlights

	FY2021 US\$ million	FY2020 US\$ million	Y-o-Y Change (%)
Revenue	404.4	388.3	4.1
Revenue (excluding construction revenue)	360.6	296.2	21.7
Total PATMIⁱ	377.3	286.5	31.7
Core PATMIⁱⁱ	316.0	259.9	21.6
Adjusted EBITDAⁱⁱⁱ	430.8	366.0	17.7
Segmental EBITDA^{iv}	776.8	662.7	17.2

Notes:

- PATMI excludes transaction costs related to ARA.
- Excludes fair value on completed investment properties, equity-settled share option expenses and tax effects of adjustment, and transaction costs related to ARA.

¹ Profit After Tax and Minority Interests (PATMI)

² Excludes transaction costs related to ARA

³ Includes the AUM of associates (Cromwell and Kenedix) as of 31 December 2021

⁴ Includes ARA LOGOS Logistics Trust, ESR-REIT and ESR Kendall Square REIT as of 31 December 2021

⁵ AUM excluding associates

⁶ Purchase consideration based on ESR’s closing price of HK\$25.15 at the time of transaction closing on 20 January 2022. Based on HK\$27 per share, the multiple is 16.2x. EBITDA includes fair value gains from Cromwell in FY2021.

⁷ Based on assets on balance sheet and portfolio assets held in the funds and investment vehicles as at 31 December 2021. The total development cost of Moorebank is estimated to be ~US\$2 billion. For conservatism, only the first phase (US\$1.1 billion) is included in the development starts and WIP.

- iii. Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, equity-settled share option expenses and eliminating the effect of interest income, and fair value gains on completed investment properties and investment properties under construction and transaction costs related to ARA.
- iv. Segmental EBITDA represents total segment result of Investment, Fund Management and Development.

Revenue (excluding construction revenue) for the year was US\$360.6 million, up 21.7% from US\$296.2 million in FY2020. Total segmental EBITDA increased by 17.2% from US\$662.7 million in FY2020 to US\$776.8 million in FY2021. Fund Management EBITDA recorded accelerating growth with a 34.8% y-o-y increase from US\$147.6 million in FY2020 to US\$199.0 million in FY2021. Total PATMI grew 31.7% from US\$286.5 million in FY2020 to US\$377.3 million in FY2021. Higher PATMI was driven by the growth in the Group's co-investments in funds, associates, and joint ventures, as well as lower borrowing costs. This is in line with ESR's focus on advancing its asset light strategy as well as its disciplined capital management.

Supported by its well-established fund management platform, together with the ongoing acceleration in fundraising momentum, the Group's total AUM reached a record US\$39.4 billion, up 32% y-o-y.

Acquisition of ARA Asset Management and FY2021 pro forma financial highlights

On 20 January 2022, the Group completed the acquisition of ARA Asset Management ("ARA" or "ARA Group"), including its subsidiary LOGOS, to emerge as APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. Given the outstanding full year results, the ARA acquisition multiple has been reduced to 15.4x EV based on full year 2021 ARA Group EBITDA.

	FY2021 (Pro forma ESR Group) US\$ million	FY2021 (ESR standalone) US\$ million	Change (%)
Revenue (excluding construction revenue)	766.9	360.6	112.7
Total PATMI	658.6	377.3	74.6
Core PATMI	602.7	316.0	90.7
Adjusted EBITDA	829.6	430.8	92.6
Segmental EBITDA	1,216.8	776.8	56.6

Pro forma total AUM of the enlarged Group reached a record US\$140.2 billion, up 21% y-o-y. New Economy AUM, accounting for 54% of total AUM⁵, reached US\$59 billion, making ESR the largest New Economy real estate platform in APAC.

Pro forma revenue (excluding construction revenue) for the year was US\$766.9 million, up 112.7% from US\$360.6 million ESR's FY2021 standalone revenue. Pro forma Segmental EBITDA increased by 56.6% to US\$1,216.8 million. Pro forma Fund Management EBITDA grew 195.6% to US\$588.2 million and pro forma Total PATMI grew 74.6% to US\$658.6 million.

Another year of record achievements

Jeffrey Perlman, Chairman of ESR Group, said: "2021 was another record year for ESR which was further punctuated by the transformational acquisition of ARA to create APAC's largest real asset manager powered by the New Economy. With record AUM, development starts, leasing, fundraising and PATMI, the performance in 2021 is a testament to the vision and execution of the entire ESR team. Additionally, 2021 recorded a number of firsts for the Group including our inaugural US\$1 billion Sustainability-Linked Loan, the build-out of our digital infrastructure team and our expansion into Southeast Asia.

“With the successful closing of the ARA transaction in January, we are now firmly focused on the opportunity ahead of us. Backed by the strongest secular trends in APAC including the continued rise of e-commerce, digital transformation and the emerging growth of the REIT sector, we are uniquely positioned to capture a US\$2.5 trillion total addressable market⁸. As capital partners seek to deploy more and more capital with fewer managers in Asia Pacific, the ESR Group strives to deliver a fully integrated one-stop solution which will be fuelled by the leading New Economy real estate platform with US\$59 billion in AUM and a development WIP of over US\$10 billion across Asia Pacific. Moving forward, we are committed to ensuring that ESG continues to sit at the heart of our business with the goal of creating sustainable value for our investors, customers and stakeholders.”

Record performance in AUM growth and capital raising

ESR’s Fund Management segment achieved another year of outstanding performance in FY2021. Fund Management EBITDA grew 34.8% to US\$199 million, driven by the strong growth in the Group’s fund AUM which rose 31% y-o-y to US\$35.6 billion, the robust development WIP which reached a record US\$7.1 billion and record leasing activity with over 3.3 million sqm of space leased across portfolio.

Fundraising for logistics in APAC has taken off and is now outpacing the traditional markets in Europe and North America. Global institutional investors are seeking to rebalance their portfolio allocations in light of the transformational impact of technology to their existing real estate portfolios.

Against this backdrop, the Group raised a record US\$5.8 billion in committed capital across nine new or upsized funds and mandates, representing a 64.3% y-o-y growth. These included:

- A\$1.3 billion (approximately US\$1.0 billion) investment partnership with GIC to form ESR Milestone Partnership (“EMP”) for the A\$3.8 billion (approximately US\$2.9 billion) Milestone Portfolio acquisition in Australia, which marked the largest-ever logistics property transaction in Australia and made ESR the third largest logistics and industrial owner in the country;
- JPY75 billion (approximately US\$675 million) expansion of ESR Japan Logistics Fund III (“RJLF3”), which doubled the size of the vehicle to JPY150 billion (approximately US\$1.35 billion) with APG and another global institutional investor;
- US\$500 million upsized investment with CPP Investments in the Korea Income Joint Venture;
- US\$1 billion equity new development joint venture, ESR China Development Platform (“ECDP”), with APG and another global institutional investor; and
- ESR Japan Income Fund (“JIF”) with US\$750 million of equity commitments from a global institutional investor alongside three existing investor relationships and one new investment partner.

As of 31 December 2021, the Group had over US\$5.7 billion worth of committed but uncalled capital to invest in new projects going forward.

Robust development activities, rigorous asset management and record leasing performance

ESR had over 25.5 million sqm of GFA⁹ in operation and for development across its portfolio as of 31 December 2021.

E-commerce expansion and flight-to-quality continued to support demand, especially for large-scale and more sophisticated logistics facilities which enable high operational efficiency and encompass sustainability features. Riding on this trend of demand growth, the Group’s development activities remained robust, and the development workbook witnessed significant expansion in volume, scale

⁸ Source: JLL estimates

⁹ Consists of approximately 14.7 million sqm of GFA of completed properties, approximately 6.9 million sqm of GFA of properties under construction and approximately 3.9 million sqm of GFA to be built on land held for future development as of 31 December 2021

and value. In FY2021, WIP surged 51% to a record US\$7.1 billion while development starts increased to US\$3.3 billion.

Additionally, ESR owns one of the largest development pipelines (17.7 million sqm) in the region, including a strong land bank of 3.9 million sqm. It will continue to leverage third-party capital to fund development starts and exercise a disciplined asset light approach to achieve its targeted development completions.

A number of major developments have been added to the Group's APAC portfolio including ESR Shanghai Qingpu Yurun Phase I in China, ESR Yokohama Sachiura Distribution Centre 1 in Japan, ESR Opo Logistics Park Phase I in South Korea and ESR Clayton Business Hub in Australia.

The developments of additional flagship projects are underway, including ESR Higashi Ogishima Distribution Centre in Japan which is set to be one of the tallest distribution centres in Japan and the world's first logistics drone facility. Some other projects with completions slated for 2022 and 2023 include ESR Shanghai Qingpu Yurun Phase II and the Pinghu Dushangang development in China, ESR Yokohama Sachiura Distribution Centre 2 in Japan, ESR Opo Logistics Park Phase II in South Korea and ESR Bhiwandi Industrial Park in India.

E-commerce acceleration and supply chain resilience have spurred demand for large-scale modern logistics space, boosting the leasing activities and rental performance across ESR's portfolio. The Group achieved an improved occupancy rate of 94%¹⁰ across its entire portfolio and a record leasing of over 3.3 million sqm of space. 82% of the new leases were led by e-commerce and 3PL customers. Among the Group's top 10 tenants by income¹⁰, nine out of ten tenants are e-commerce or 3PL related.

The Group has also demonstrated a strong track record in enhancing the value of its properties through rigorous asset management. Such efforts can be demonstrated by the recent Milestone Portfolio acquisition from Blackstone, which comprises 45 high-quality, income-producing assets set over 3.6 million sqm in Australia. Through ESR's tenant centric and "hands-on" asset management approach, portfolio occupancy has improved to 99.5% while the value of the portfolio increased by approximately US\$140 million, or 5.5%, within six months after the completion of the acquisition in June 2021.

As the ESR platform continues to expand, the Group has also sought to expand its footprint in Southeast Asia, one of the fastest growing regions in the world. In Vietnam, ESR launched a 240,000 sqm development in Binh Duong, a major industrial development hub in southern Vietnam, in partnership with the leading local logistics and industrial developer and operator in Vietnam, BW Industrial.

Strong balance sheet and continued asset light trajectory

ESR had a robust and well-capitalised balance sheet with US\$1.6 billion in cash and net debt over total assets of 27.9% as of 31 December 2021. Throughout the year, the Group continued to expand and diversify its funding and capital structure which is crucial for fuelling the Group's long-term growth.

- In March 2021, ESR issued S\$200 million (approximately US\$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("Perpetual Securities NC5 5.65%") under its US\$2.0 billion Multicurrency Debt Issuance Programme.
- In April 2021, the Group entered into a US\$400 million (with a US\$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US\$267 million at Libor plus

¹⁰ Based on assets on balance sheet and portfolio assets held in the funds and investment vehicles as at 31 December 2021

2.75% and a five-year tranche of US\$133 million at Libor plus 3.25%. There were 10 banks participating in the new facility which included both international and Asian financial institutions.

- In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S\$150 million (approximately US\$111.6 million), bringing the aggregate total amount to S\$350 million (approximately US\$260.2 million).
- 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 2.75% for 3-year and 5-year tranches respectively. This marked ESR’s first step into sustainable financing and demonstrated its ongoing commitment to Environmental, Social and Governance (“ESG”).

The Group remains focused on its asset light approach with over US\$800 million of divestments from its balance sheet to ESR managed funds. This translated into over US\$500 million of net cash which was subsequently recycled back to the Group for future growth as of 31 December 2021. Some of these included:

- ESR-REIT took a 10% stake in ESR Australia Logistics Partnership (“EALP”), which is an existing Australian core fund managed by ESR’s Australian platform. This transaction was ESR-REIT’s maiden overseas acquisition outside Singapore and its first acquisition from the Group’s APAC pipeline.
- ESR Kendall Square REIT completed the acquisition of the Anseong Logistics Park from the existing core fund managed by ESR’s Korean platform.
- The Group fully exited its investment in Centuria Capital Group (“CNI”) with A\$272 million (approximately US\$207.4 million) of total gross proceeds). The investment generated a 23.0% unleveraged IRR¹¹.

Strengthened New Economy ecosystem with a robust digital infrastructure platform

Data centres are a key strategic focus for ESR as the Group seeks to build out a broader New Economy real estate platform. ESR has built a solid foundation for its data centre platform through strategic acquisitions of prime assets in FY2021. These included the acquisition of a 25 megawatt (“MW”) data centre refurbishment in Hong Kong and the 98MW multi-phase data centre campus project near Osaka CBD, Japan.

As of 31 December 2021, ESR’s data centre portfolio consists of six owned development assets totalling 260MW IT load in Hong Kong, Osaka, Sydney, Mumbai, Jakarta, and Singapore. It also has operational assets in master-leases to key operators in Osaka, Singapore, China and South Korea. A strong pipeline of assets in Tokyo, Osaka, Seoul, Beijing, and Taipei would propel the portfolio further.

With the completed acquisition of ARA which brings together LOGOS to form a multi-pronged platform, the enlarged ESR Group has a combined data centre pipeline¹² of over 1,200MW of capacity across the region, reinforcing the robust prospects of the Group’s industry-leading New Economy real estate platform. ESR is set to accelerate the rollout of its data centre strategy with more expansive offerings to capitalise on the market’s outsized growth, including the plan to raise its inaugural data centre funds in 2022.

Continued emphasis and focus on ESG

ESR’s vision for sustainable development is to enhance shareholder value while contributing positively to society and the environment.

¹¹ Includes dividends

¹² As of 31 December 2021

Throughout 2021, the Group made great strides in strengthening its ESG efforts and initiatives that aligned with the focuses and strategies set out in the ESG 2025 Roadmap. In November 2021, ESR closed its inaugural US\$1 billion SLL, which marked its first step into sustainable financing, as it continued to integrate ESG into its financial management, operations and future planning. Moreover, ESR once again achieved outstanding GRESB scores across funds and markets. It was also awarded an MSCI ESG rating of A in recognition of its outstanding performance in ESG best practices.

Committed to sustainable and efficient operations, ESR has made energy sustainability a priority by actively developing rooftop solar panels to further increase solar power generation in all markets. It is on track to exceed its 2025 target of increasing solar power generation capacity by 50%. 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.

The Group also works closely with local authorities and communities to support the well-being and needs of societies through a wide range of campaigns and initiatives, from fostering community engagement through the sponsorship of local amateur football league to offering its facilities to assist the implementation of disaster response measures.

Lastly, to uphold the Group's commitment to diversity and inclusion, the Company (in conjunction with the nomination committee) is planning to add two additional female independent non-executive directors to the Board this year as a part of the annual rotation of directors.

Unmatched scale and expanded capabilities of the enlarged platform – Pro forma operational highlights

The closing of the ARA transaction has vastly expanded the scale, capabilities, offerings and resources of ESR.

As APAC's largest real asset manager and the third largest listed real estate investment manager globally, the ESR Group maintains a dominant leadership position with approximately 84% of its assets allocated in APAC.

With the addition of LOGOS, ESR Group also cements its position as APAC's largest New Economy real estate platform with a leading (top one or two) position in every key market in APAC with the ability to offer a comprehensive pan-Asia solution to its customers and capital partners.

The enlarged Group has also assembled a strong development workbook with a development pipeline of 24.3 million sqm as well as WIP of US\$10.5 billion which is the largest in APAC. High occupancy rates (ESR: 94%; LOGOS: 95%)¹³ and record leasing (4.3 million sqm of space) led the ESR Group to commence a record amount of development starts (US\$5.4 billion).

Underpinning this robust scale, the enlarged Group has greater depth in offering a comprehensive real asset investment solutions ecosystem, including being the largest sponsor of REITs in APAC with a total of 14 listed REITs under one umbrella.

Capital raising momentum was outstanding across the Group. Including ARA and LOGOS, a record US\$13.2 billion of new capital has been raised, of which over 70% was New Economy focused. Uncalled capital amounted to US\$9.8 billion which places the Group in a very strong position for funding new developments going forward.

¹³ Based on assets on balance sheet and portfolio assets held in the funds and investment vehicles as at 31 December 2021. The total development cost of Moorebank is estimated to be ~US\$2 billion. For conservatism, only the first phase (US\$1.1 billion) is included in the development starts and WIP book.

With the closing of the ARA transaction, the ESR Group has a “re-equitised” balance sheet with low net gearing (~20%), robust liquidity (US\$1.9 billion of cash) and a lower average cost of funding (3.8%).

Charting new growth as APAC’s #1 real asset manager

The closing of the ARA transaction has opened up new avenues of growth for the enlarged ESR Group. Offering a full suite of both public and private investment solutions, ESR has created the only fully integrated closed-loop-solutions ecosystem for real estate globally. The platform allows global capital partners to increase allocation to New Economy real estate where they are still significantly underweight. Leveraging an expanded network of capital partners and resources, the enlarged ESR Group will further expand and diversify its product offerings.

Jeffrey Shen and Stuart Gibson, ESR Co-founders and Co-CEOs, stated: “We are very pleased with our record achievements in 2021 and we are even more excited to enter 2022 as a stronger, more dynamic platform, building on what the teams at ESR, ARA and LOGOS have accomplished through the years. Together we have created APAC’s leading real asset manager and New Economy real estate platform, and a more powerful, purpose-led organisation that will continue to innovate and advance.

“ESR’s growth momentum continues to remain strong as global investors seek to increasingly consolidate their relationships towards a limited number of large-scale managers with a goal of allocating more capital to them. We will leverage our unmatched scale, the breadth of our portfolio and offerings, and most importantly, our expanded team of experienced and dedicated people, to support our capital partners and customers to thrive and capitalise on the continued rise of real assets in Asia Pacific.”

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 US\$140.2 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. With 14 listed REITs managed by the Group and its associates, 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.

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