

## ESR delivers strong 1H 2020 results with 75.1% PATMI growth

- Revenue increased 26.9% to US\$198 million; EBITDA up 27.3% to US\$269 million
- PATMI achieved outsized growth of 75.1% to US\$133 million
- AUM grew by 31.1% to US\$26.5 billion
- Record leasing (0.9 million sqm), capital raising for new funds (US\$2.4 billion) and development completions (US\$2.2 billion) in 1H 2020
- Strong balance sheet with US\$947 million of cash and net debt / total assets of 28.6%

**HONG KONG, 27 August 2020** – ESR Cayman Limited (“ESR” or the “Company”, together with its subsidiaries as the “Group”; SEHK Stock Code: 1821), the largest APAC focused logistics real estate platform, today announced the unaudited consolidated results for the six months ended 30 June 2020 (“1H 2020”).

The Group recorded revenue of US\$198 million in 1H 2020, up 26.9% from US\$156 million in 1H 2019. PATMI<sup>i</sup> was US\$133 million, representing 75.1% growth from US\$76 million in 1H 2019. Core PATMI<sup>ii</sup> was US\$121 million, representing a 71.9% increase from US\$70 million in 1H 2019. EBITDA was US\$269 million, up 27.3% from US\$212 million in 1H 2019. Adjusted EBITDA increased by 20.6% to US\$151 million in 1H 2020, compared with US\$125 million in 1H 2019.

The Group’s balance sheet and liquidity continue to be robust. With its well-capitalised balance sheet, the Group had US\$947 million of cash and a net debt to total assets ratio of 28.6% as of 30 June 2020. The Group has also materially reduced the cost of borrowings so far this year and has maintained a healthy debt maturity profile of 3 years.

	1H 2020 (Unaudited) US\$ million	1H 2019 (Audited) US\$ million	Year-on-Year Change* %
<b>Revenue</b>	<b>198</b>	156	26.9
<b>PATMI<sup>i</sup></b>	<b>133</b>	76	75.1
<b>Core PATMI<sup>ii</sup></b>	<b>121</b>	70	71.9
<b>EBITDA</b>	<b>269</b>	212	27.3
<b>Adjusted EBITDA<sup>iii</sup></b>	<b>151</b>	125	20.6
<b>AUM</b>	<b>26,538</b>	20,235	31.1

Notes

- \* Year-on-Year Change % represents a comparison between the first half of current year and the first half of last year.
- i. Profit After Tax and Minority Interest (PATMI)
- ii. Excludes fair value on completed investment properties, equity-settled share option expense, listing expenses and tax effects of adjustments
- iii. Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, equity-settled share option expense and the listing expenses, and eliminating the effect of interest income and fair value gains on investment properties

## **Resilient business model and a forward-thinking strategic approach propelled outsized performance across ESR's business segments and geographic markets**

During 1H 2020, the Group's three pillars of business – investments, fund management and development – remained robust, experiencing impressive growth on the back of several key achievements.

Jeffrey Perlman, Chairman of ESR, stated, "COVID-19 has disrupted nearly every aspect of our daily lives, severely impacted the global economy and has likely changed the way we will work, shop and live for the foreseeable future. Throughout the COVID-19 outbreak, ESR has demonstrated the strength of our resilient business model with solid operating results, disciplined capital management and robust fundraising for our third-party vehicles. We are proud that our teams have remained dedicated to supporting our stakeholders and contributing to the Group's accelerating momentum and performance across each of our business segments and geographies. In fact, we are especially proud that we achieved record leasing, fund raising and development completions in 1H 2020.

Despite challenges to the global economy, COVID-19 is accelerating many of the secular trends underpinning our business – including the continued rise of e-commerce, the increase and greater localisation of manufacturing and the shift of capital flows into logistics at the expense of other real estate sectors. ESR is well-positioned to leverage these secular trends to further solidify its market leading position and deliver long-term value for its stakeholders."

### **Healthy occupancies and rental growth**

The pandemic has accelerated a paradigm shift from a "just-in-time" inventory model to a "just-in-case" approach, building greater local inventory levels to prepare for the increasing demands generated during periods of lockdown and supply chain disruption. ESR's diversified geographic presence across APAC's key gateway cities and a quality tenant base focused on e-commerce and 3PL companies (which represents over 60% of ESR's GFA), continued to provide resilient performance for the Group with healthy occupancies and rental growth.

In 1H 2020, the Group leased 0.9 million sqm (representing over 100 leases) as it experienced increased demand for prime logistics space from both new and repeat customers in the e-commerce, cold chain and manufacturing sectors across our markets.

The Group maintained a high occupancy of 91% across its entire portfolio despite challenging market conditions brought on by the onset of COVID-19. E-commerce and 3PLs (which largely support e-commerce) remain a key driver of demand, representing over 60% of ESR's tenant portfolio (based on rental income).

### **Continuous platform expansion underpinned by strong fundraising**

The Group's AUM grew 31.1% year-on-year to US\$26.5 billion on the back of strong fundraising.

Investors are increasingly looking to boost their exposure into logistics assets on the back of the growing importance of e-commerce. During the 1H 2020, ESR has raised US\$2.4 billion through five new vehicles across its platform, demonstrating the strong support of its top-tier capital partners. These included a US\$500 million development joint venture with GIC<sup>1</sup> and a core joint venture with Manulife in China; a US\$416 million core-plus partnership in Australia; a US\$1 billion development joint venture with APG and CPP Investments in South Korea; and a separate account of US\$257 million with AXA in Japan.

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<sup>1</sup> GIC is a global investment firm established in 1981 to manage Singapore's foreign reserves.

The Group also actively deployed capital from its balance sheet and third-party funds, acquiring assets and deploying over US\$700 million across various markets to fuel its platform expansion. In June 2020, ESR acquired 100% stake in three prime assets in East China's Jiangsu Province. Based on the latest fundraising initiatives, there was also over US\$3.6 billion of committed but uncalled capital in ESR's third-party funds as of 30 June 2020.

### **Industry leading development pipeline to fuel further platform growth**

ESR had 18.7 million sqm GFA in operation and under development across its portfolio and a landbank of over 3.8 million sqm, as of 30 June 2020.

Development demand continued to grow and the Group has achieved US\$0.8 billion of development starts and US\$2.2 billion development completions for 1H 2020. Many of these developments are landmark projects of the largest scale and most advanced specifications in the industry.

In June 2020, the Group completed the development of ESR Amagasaki Distribution Centre in Greater Osaka, the largest logistics warehousing project in APAC<sup>2</sup> at 388,570 sqm.

Several key projects in South Korea held in the development funds are expected to be completed by 2020 including two modern logistics facilities in Greater Seoul.

In China, the Group expects to complete the development of Qingpu Yurun Phase I into a high standard logistics facility which includes cold storage with a total planned GFA of over 340,000 sqm as well as the Dushangang project in Jiaxing which is scheduled for completion in 2022 with a total planned GFA of over 235,000 sqm.

The Group will continue to leverage on third-party capital to fund development starts and exercise a disciplined approach to deliver its targeted development completions slated for 2020 and beyond.

### **Sustainable growth beyond expansion**

Committed to delivering the 21st century logistics infrastructure that APAC needs to succeed in the new economy, ESR looks beyond space to build a sustainable business.

With Environmental, Social and Governance ("ESG") as an integral part of its operations that forms the forefront of ESR's strategic priorities, the Group has set forth a comprehensive ESG framework encompassing clear objectives, policies and procedures led by the Group ESG Committee. This framework guides the Group in evaluating opportunities and advancing industry standards in its operations and governance, ensuring ESR to ever improve its ability to generate long-term shareholder value, and improve the well-being for all in the communities that it operates in.

In the second half of 2020, the Group will formally announce its five-year ESG vision as part of its ESG 2025 plan.

### **Looking ahead**

Despite a challenging near-term economic environment, the Group remains confident in the strong fundamentals of the logistics sector and the positive long-term demographic and economic trends within APAC.

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<sup>2</sup> The largest single-phase, single-asset warehousing project in terms of GFA, as of July 2020. Sources: CBRE data and ESR research.

The pandemic has triggered a second wave of structural change in the logistics sector, with e-commerce distribution centres, cold storage, last-mile facilities and the redevelopment of outdated warehouses all attracting a considerable amount of interest from investors. Capital flows are already starting to pivot towards APAC, which remains under-penetrated. Superior growth prospects coupled with strong demographic and urbanisation trends are fuelling demand for investment in the region.

Notwithstanding the challenges of the prolonged pandemic and geopolitical tensions which may further weigh on business confidence, the Group remains grounded to take advantage of current macroeconomic trends and the structural shift in consumer behaviour. The Group remains mindful of the evolving environment and continues to monitor current global events and potential further market disruptions.

Jeffrey Shen and Stuart Gibson, ESR Co-founders and Co-CEOs, said, “With Asia spearheading new economy development, innovation as well as consumption and supply chain transformation, APAC logistics real estate is poised to be a robust growth leader for the long term. To continuously stay ahead in this competitive market, innovation, hardware and soft skills – a network with a strong regional presence, quality assets backed by strong tenants, land sourcing ability, capital raising and asset management skills, and a proven track record – are all profoundly important.

We will continue to evaluate attractive investment and development opportunities, while remaining prudent in our capital management approach over the rest of the year. ESR is poised to further cement its position not only as APAC’s leading logistics real estate platform, but as a company that consistently leads the industry with the highest standards of innovation, in order to service the new economy through different market conditions.”

#### **About ESR**

ESR is the largest APAC focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world’s preeminent investors including APG, SK Holdings, JD.com, CPP Investments, OMERS, PGGM and Ping An. The ESR platform spans across the People’s Republic of China, Japan, South Korea, Singapore, Australia and India. As of 30 June 2020, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$26.5 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised 18.7 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

For more information on ESR, please visit [www.esr.com](http://www.esr.com).

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