

ESR delivers outstanding financial and operational results in 1H2021

- Business performance is accelerating across all segments (especially Fund Management) and AUM reached US\$36.3 billion, up 36.9% year-on-year
- EBITDA and PATMI achieved outsized growth of 38.6% and 60.9% year-on-year to US\$373.5 million and US\$213.9 million, respectively
- Development Work-in-Progress (“WIP”) hit a record high of US\$5.5 billion with strong leasing of over 1.6 million sqm across the portfolio
- Fundraising remains robust – raised US\$2.5 billion with new or upsized funds
- Ability to “double down” on logistics and data centres across APAC with the planned acquisition of ARA / LOGOS which would cement ESR’s long-term status as the leading New Economy real estate platform in APAC

HONG KONG, 19 August 2021 – 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 its results for the six months ended 30 June 2021 (“1H2021”).

Revenue (excluding construction revenue) for 1H2021 was US\$177.7 million, up 24.7% from US\$142.4 million in 1H2020. EBITDA increased by 38.6% from US\$269.4 million in 1H2020 to US\$373.5 million in 1H2021. Fund Management EBITDA recorded accelerating growth with 50.9% y-o-y increase from US\$64.4 million in 1H2020 to US\$97.1 million in 1H2021. PATMIⁱⁱ grew 60.9% from US\$133.0 million in 1H2020 to US\$213.9 million in 1H2021. 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 asset light strategy and disciplined capital management.

	1H2021 US\$ million	1H2020 US\$ million	Year-on-Year Change (%)
Revenue	204.4	197.6	3.4
Revenue (excluding construction)	177.7	142.4	24.7
Adjusted EBITDAⁱ	214.8	151.0	42.3
PATMIⁱⁱ	213.9	133.0	60.9
Core PATMIⁱⁱⁱ	166.9	121.2	37.7

Notes

- Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, equity-settled share option expense, and eliminating the effect of interest income and fair value gains on investment properties
- Profit After Tax and Minority Interest (PATMI)
- Excludes fair value on completed investment properties, equity-settled share option expense, and tax effects of adjustments

Jeffrey Perlman, Chairman of ESR, said, “First, I want to credit Stuart, Jeffrey and the entire management team on delivering outstanding financial and operational results for the first half of 2021. Despite the challenging backdrop posed by COVID-19, our growth is accelerating and the first half of 2021 was distinguished by a host of new developments and exciting breakthroughs for us across the region. From the acquisition of the Milestone Portfolio (the largest-ever logistics property transaction in Australia) to our growing data centre footprint and to our robust fundraising and leasing activities, we have managed to further fortify ESR’s position as the leading New Economy real estate platform in Asia Pacific.

“Today, we are witnessing a once-in-a-generation change in real estate. E-commerce acceleration, digital transformation and the financialisation of real estate are underpinning the continued outsized growth of our business. With the planned acquisition of ARA / LOGOS, we are well-positioned to “double down” on these secular trends and create an even more sizable, dynamic and fast growing New Economy real estate platform while benefiting from ARA’s strength in managing perpetual / core capital vehicles. With an enlarged Group New Economy AUM of US\$53 billion, a development WIP of over US\$10 billion and the largest logistics and data centre pipeline of over 7.7 million sqm / >1,200 megawatts of capacity in Asia Pacific, we have even greater conviction and confidence in the power of the combined platform and in delivering on our next phase of growth.”

Accelerating growth of Fund Management segment

ESR’s Fund Management segment achieved stellar performance in 1H2021 with revenue surging 48.2% to US\$123.9 million, buoyed by various key drivers including: the continued growth in the Group’s fund AUM which rose 37.9% year-on-year to US\$32.7 billion; the robust development WIP (in funds) which reached a record US\$5.5 billion; and strong leasing activity with over 1.6 million sqm of space leased across portfolio.

Supported by its well-established fund management platform, together with the continued acceleration in fundraising momentum, the Group’s total AUM continued to grow, reaching US\$36.3 billion, up 36.9% year-on-year.

The Group continues to see strong capital flows into logistics as global institutional investors are seeking to strategically rebalance their portfolios. Underpinned by the strong capital partner relationships and track record ESR has built over the years, the Group raised US\$2.5 billion in committed capital via new and/or upsized vehicles across Japan, South Korea and Australia.

- JPY75 billion (approximately US\$675 million) expansion of ESR Japan Logistics Fund III (“RJLF3”) with APG and another global institutional investor;
- US\$500 million upsized investment with CPP Investments in the Korea Income Joint Venture; and
- A\$1.3 billion (approximately US\$1.0 billion) investment partnership with GIC for a newly formed investment vehicle, ESR Milestone Partnership (“EMP”), for the Milestone Portfolio acquisition in Australia.

The A\$3.8 billion (approximately US\$2.9 billion) acquisition of the Milestone Portfolio and its management platform, which was completed in June 2021, marks the largest-ever logistics property transaction in Australia. The acquisition represents a 80% uplift in ESR Australia’s AUM, which is now valued at US\$6.1 billion, and positions ESR as the third largest logistics and industrial owner in the country, within three years of entering the Australian market.

Fundraising momentum remains strong as the Group continues to deepen its relationships with new and existing capital partners. As of 30 June 2021, the Group had over US\$4.4 billion worth of committed but uncalled capital to invest in new projects going forward.

Furthermore, the Group recently announced the formation of a US\$1 billion equity new development joint venture, ESR China Development Platform (“ECDP”), together with existing capital partners APG and another global institutional investor.

Robust development activities and leasing performance

ESR has over 19.7 million sqm of GFA in operation and under development across its portfolio and a landbank of over 2.9 million sqm, as of 30 June 2021. Its APAC wide portfolio achieved outstanding performance across multiple fronts, from new development starts to leasing.

Development demand remained robust with WIP growing by 57% to a record US\$5.5 billion in 1H2021. The Group achieved US\$1.2 billion worth of development starts (vs US\$0.8 billion in 1H2020) and US\$0.9 billion in development completions during the period.

ESR owns one of the largest development pipelines in the region, totalling over 16.1 million sqm across its portfolio. 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.

Its strong pipeline of large-scale developments include a number of landmark projects that are set to create new benchmarks in the market.

- By end-2021, the Group expects the completion of ESR Shanghai Qingpu Yurun Phase I, a high-standard logistics facility with a total planned GFA of over 340,000 sqm which includes cold storage space. Construction of Phase II commenced in Q4 2020 and is expected to be completed by 2023.
- The Dushangang project in Jiading, China is scheduled for completion in 2022 with a total planned GFA of over 235,000 sqm.
- In Japan, the Group has commenced construction of the second phase of the master-planned ESR Yokohama Sachiura Logistics Park at over 195,000 sqm and is set to be completed in early 2023. The multi-phase development, at approximately 800,000 sqm over four phases, is set to be the largest logistics park in Japan when fully developed.

In addition to strengthening its market leadership position in core markets, the Group has also sought to expand its footprint in Southeast Asia, one of the fastest growing regions in the world.

In May 2021, ESR entered the Vietnamese market via a joint venture with the leading local logistics and industrial developer and operator, BW Industrial, to develop a 240,000 sqm project in Binh Duong, a major industrial development hub in southern Vietnam.

E-commerce acceleration and supply chain resilience have spurred demand for modern, institutional-grade logistics facilities, driving the solid performance of ESR's leasing activities. The Group maintained a healthy occupancy rate of 89% across its entire portfolio¹, and achieved record leasing of over 1.6 million sqm of space.

Strong balance sheet and continued asset light trajectory

As of 30 June 2021, ESR has a robust and well-capitalised balance sheet with US\$1.1 billion in cash, and net debt over total assets of 30.6%.

ESR continues to expand and diversify its funding and capital structure, which is crucial for fuelling the Group's long-term growth. In April 2021, it 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 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 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 billion Multicurrency Debt Issuance Programme. 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).

¹ Based on stabilised assets on balance sheet as at 30 June 2021

The Group continues its asset light approach focusing on active recycling of capital to scale its business platform for future growth.

In May 2021, ESR-REIT embarked on its maiden overseas acquisition outside Singapore by taking a 10% stake in ESR Australia Logistics Partnership (“EALP”), which is an existing Australian core fund managed by ESR’s Australian platform. This transaction also marks ESR-REIT’s first acquisition from the Group’s APAC pipeline.

In June 2021, ESR Kendall Square REIT completed the acquisition of the Anseong Logistics Park from the existing core fund managed by ESR’s Korean platform.

In July 2021, the Group fully exited its investment in Centuria Capital Group (“CNI”) with A\$272 million (approximately US\$207.4 million) of total proceeds. The investment generated a 23.0% unleveraged IRR².

Growing presence in data centres

With the continued digital transformation, ESR strives to capitalise on this secular trend by scaling up its data centre effort, building a network of agile and scalable data centres that interconnect businesses and individuals in the digital economy, support customers’ expansion in scale and reach, and creating value for ESR’s ecosystem of New Economy real estate.

In 1H2021, the Group launched its first data centre development by acquiring a key data centre asset in Osaka, which will be developed into a US\$2 billion multi-phase data centre campus of up to 78MW IT load. The Group also acquired an asset in Kwai Chung, one of the major data centre clusters in Hong Kong, which will be developed into a 40MW data centre.

Strengthened environmental, social and governance (“ESG”) commitments

ESR continues its focus on sustainable growth as it constantly enacts a positive impact on the industry and creates a purpose-driven culture for the communities where it operates.

ESG is at the heart of the Group’s business, driving all decisions to maximise value for all stakeholders across the value chain. The Group has undertaken significant sustainability initiatives under its ESG 2025 Roadmap, underscored by sustainable properties and operations as well as best corporate practices.

As the Group expands into new markets and frontiers, it puts great emphasis on supporting local causes to contribute to the well-being of its communities.

In southern Vietnam, ESR recently joined forces with its joint venture partner BW Industrial to accelerate the completion of a 40,000 sqm facility in the My Phuoc 4 Industrial Park in Vietnam, converting it into a makeshift treatment centre in response to the country’s evolving COVID-19 pandemic. ESR and its partner worked in close alliance with the People’s Committee of Binh Duong, where the facility is located, to provide a safe environment to support the local community in need.

In April 2021, ESR was awarded an MSCI ESG rating of A, recognising its outstanding performance in ESG best practices.

The next stage of growth

Looking ahead, ESR remains confident in the strong fundamentals and future prospects for New Economy real estate in APAC. E-commerce acceleration and digital transformation will continue to drive

² Includes dividends

demand for logistics infrastructure and data centres. On the capital front, 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.

To capitalise on these prevailing trends, ESR is firmly focused on accelerating its growth in size, scale and offerings. In August 2021, ESR entered into an agreement to acquire 100% of the share capital of ARA Asset Management Limited (“ARA”) for US\$5.2 billion (“The Proposed Transaction”). The Proposed Transaction, which includes ARA’s captive logistics and data centre specialist LOGOS, will create the largest real estate and real asset manager in APAC and the 3rd largest listed real estate investment manager globally, powered by the leading New Economy real estate platform.

Jeffrey Shen and Stuart Gibson, ESR Co-founders and Co-CEOs, stated, “For years, we have never wavered from our quest to develop best-in-class facilities for our customers and operate an integrated fund management platform with a strong track record for our capital partners. Our continued strong growth and outstanding financial performance is a testament to the support we continue to receive from our clients and capital partners.

“As we usher in this new era of real estate, we look forward to creating an even more powerful platform, one that thrives on the growth of the New Economy and continuously creates a positive impact on our communities and partners. With the recently announced landmark acquisition of ARA / LOGOS, we see tremendous growth synergies between our two platforms. The enlarged ESR Group will build on our original vision and further capture the outsized market opportunity. The broader scale – which provides an enhanced New Economy offering, more solutions across geographies and asset classes to our capital partners and tenants and the resilience that comes with the perpetual and core capital vehicles – will allow us to scale to new heights as we drive forward.”

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 with a growing presence in data centres. ESR and the funds and investment vehicles it manages are backed by some of the world’s preeminent investors including APG, CPP Investments, JD.com, Oxford Properties, PGGM and SK Holdings. The ESR platform spans major economies across the APAC region, including China, Japan, South Korea, Singapore, Australia, India, Vietnam and Indonesia. As of 30 June 2021, 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\$36.3 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 22.6 million sqm in total. Listed on the Main Board of The Stock Exchange of Hong Kong Limited in November 2019, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

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

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