

ESR Group Delivers Growth in AUM and Fund Management EBITDA on the Back of Strong Operating Performance

Key Highlights:

- Record Fund Management EBITDA¹ of US\$579 million constituting ~60% of total Group segmental EBITDA; excluding promote fees, Fund Management EBITDA¹ grew 8.9% year-on-year (“y-o-y”)
- Total AUM^{3,8} and Fee-related AUM^{2,3} increased by 7.3% to US\$156.1 billion and 6.3% y-o-y to US\$81.1 billion, respectively on the back of US\$7.5 billion of new capital raised
- Stabilised New Economy occupancy^{4,5} remains at 98% ex-China with record leasing of 5.3 million sqm⁴ across the portfolio and strong rental reversions^{4,6} of 14.3% ex-China
- Consistently developing and delivering high value projects at scale, with US\$6.3 billion of development starts and US\$4.2 billion of development completions
- Successfully executing on its non-core divestment plan with the sale of ARA Private Funds business; other divestments continue to progress with the goal of fully realising up to US\$750 million
- Targeting US\$1.5-2 billion of balance sheet asset sell-downs over the next twelve months to ESR-managed vehicles to enhance recurring fee revenue and reduce leverage
- Recent substantial investment by Starwood Capital further validates ESR’s market-leading position
- Continued focus on shareholder returns with a final dividend of HK\$12.5 cents per share (1.6 US cents), implying a 2.9% dividend yield⁷

HONG KONG, 21 March 2024 – 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 full year results ended 31 December 2023 (“FY2023”).

ESR’s integrated fund management and development platform in APAC delivered increased fund management earnings on higher fee-related assets under management^{2,3} (“AUM”) and strong operating fundamentals. This improvement came despite a challenging macroeconomic environment that included a material change in the interest rate environment and one of the weakest fundraising environments on record.

Fee-related AUM^{2,3} as at end December 2023 grew 6.3% y-o-y to US\$81.1 billion whilst Total AUM^{3,8} increased 7.3% to US\$156.1 billion.

The Group achieved record Fund Management EBITDA¹ of US\$579 million for FY2023, a 2% growth y-o-y. Excluding promote fees, Fund Management EBITDA¹ increased by 8.9% y-o-y. In line with the Group’s asset-light transformation, Fund Management EBITDA¹ now comprises nearly 60% of ESR’s total segmental EBITDA, up from 21% at IPO in 2019. Fund Management Fee Income has grown at a three-year CAGR of 57% since 2020. The Group’s business has also become significantly more diversified across APAC in the last several years with North Asia (Japan and South Korea), India / Southeast Asia

and Australia & New Zealand now representing the three largest regions, contributing 36%, 22% and 21% of fee income, respectively.

The Group's revenue was up by 6% from US\$821 million in FY2022 to US\$871 million in FY2023. EBITDA⁹ and PATMI¹⁰ were lower y-o-y as a result of the impact of lower fair value gains across key markets as well as higher interest costs as a result of the material change in the interest rate environment.

	FY 2023	FY 2022	Variance (%)
AUM^{3,8} (US\$ billion)	156.1	145.5	7.3%
Fee-Related AUM^{2,3} (US\$ billion)	81.1	76.3	6.3%
Revenue (US\$ million)	871	821	6.1%
Fund Management EBITDA¹ / ex-Promote Fees (US\$ million)	579 / 397	568 / 365	1.9% / 8.9%
EBITDA⁹ (US\$ million)	885	1,152	(23.1%)
PATMI¹⁰ (US\$ million)	400	655	(38.8%)

Commenting on the results, Jeffrey Shen and Stuart Gibson, ESR Group Co-founders and Co-CEOs, said: "We are pleased with our execution in 2023 despite the challenging headwinds of a rising rate environment and increasing geopolitical tensions. With focused execution, we have delivered on our 3 core priorities over the past 12 months, including (i) reinforcing our market leadership in New Economy with over US\$6 billion in development starts and over US\$4 billion of completions, (ii) further simplifying and streamlining the business with the recent sale of the ARA Private Funds business and (iii) growing our AUM and Fund Management EBITDA to now reach nearly 60% of our Segmental EBITDA. We continue to stand out on the fundraising front, with our best-in-class products, including establishing our largest-ever RMB Income Fund in China in 2023 and we recently debuted South Korea's first US\$2 billion flagship open-ended logistics core fund. As a fully integrated developer and fund management platform, we are well positioned to drive recurring fee growth by providing a full suite of solutions and product platforms across the value chain for a range of capital partners. While transaction activity has been muted over the past 18 months, we anticipate it to pick up over course of 2024.

The Co-CEOs further commented: "On the operating side, New Economy demand has supported our record leasing activity, allowing us to achieve close to full occupancy in several key markets with double digit rent renewals being achieved across APAC (ex-China). Furthermore, we have a large and high value development workbook, where the contribution from our data centres is accelerating on the back of the rise in Generative AI.

Additionally, we continue to be anchored on our asset-light approach, which includes reducing our balance sheet exposure in China. We are targeting US\$1.5-US\$2 billion of balance sheet divestments over the next 12 months. Further, we are also progressing well with the continued integration of the LOGOS business. The integration will further deliver additional synergies and enhance shareholder value creation."

Focused on delivering sustainable value to shareholders

In line with ESR's goal of a sustainable dividend policy established in 1H2022, the Board of ESR recommended the declaration of a final dividend of HK\$12.5 cents per share (approximately 1.6 US cents per share) (which implies a 2.9% yield⁷) for the financial year ended 31 December 2023, amounting to approximately US\$67 million which will be paid to Shareholders on 28 June 2024.

Healthy capital raising amid a challenging environment

Despite a second consecutive year of muted fundraising for the sector, the Group worked closely with capital partners to achieve a capital raise of US\$7.5 billion. Key capital raising commitments and initiatives in FY2023 included:

- ESR's largest-ever RMB Income Fund in China with a seed portfolio from ESR's balance sheet
- A further upsize for the ESR Data Centre Fund (ESR DC Fund 1) to US\$1.35 billion, which represents a pipeline of up to 575 MW
- LOGOS's Green Data Centre Fund to invest in build-to-suit data projects across APAC with an identified pipeline of 350 MW

In the first quarter of 2024, the Group successfully raised approximately US\$1 billion. This includes the Group's first perpetual, open-ended logistics core fund in South Korea, holding an initial portfolio of seven high quality class A logistics warehouses worth approximately US\$2 billion reinforcing a strong track record with over a 25% net IRR and 3.5x equity multiple achieved for the development fund 1 investors.

As at 31 December 2023, the Group has substantial dry powder of US\$23.9 billion (of which over US\$13.5 billion is New Economy focused) to deploy on behalf of investors at a time when asset pricing is becoming more favourable and development returns are strong.

Balance Sheet Optimisation

ESR has progressed its asset light strategy through further syndication of balance sheet assets, with Greater China a key focus of ongoing sell-down and syndication efforts. The Group is on track to complete over US\$500 million worth of announced transactions and are targeting up to a further US\$1.5-US\$2 billion over the next 12 months. These planned sell-downs to ESR managed vehicles along with the announced non-core divestments is expected to reduce the Group's gearing over the medium term towards the low end of the Group's gearing target of 20-30%. The interest savings made on lower gearing would add to potential distributions or provide capital for future share buybacks.

Laser-focused on business transformation and simplification

With its focus on New Economy, the Group identified up to US\$750 million of non-core divestments in 2023. In March 2024, the Group announced the sale of the ARA Private Funds business which represents a significant milestone in this process and other non-core divestments are advancing.

The Group is also working towards the final stages of the LOGOS integration over the balance of the year. The successful integration will deliver a combined Australia / New Zealand business that will represent the largest New Economy developer and the second largest New Economy manager (by AUM and deployment of uncalled capital). It will also create further scale in data centres with complementary funds and strategies. To date, the overall ARA business integration has achieved US\$35 million of cost synergies. Further revenue and cost synergies are expected in FY2024 and FY2025 from a fully integrated APAC New Economy platform.

Resilient operating performance and continued diversification

Operating fundamentals for the Group's New Economy assets remain strong and the Group leased a record of 5.3 million sqm⁴ of space in 2023. As at 31 December 2023, the portfolio occupancy^{4,5} rate for the Group's New Economy assets remained above 91% (98% excluding Mainland China). The Group achieved rental reversions of approximately 8.2% (14.3% excluding Mainland China)^{4,6}. Leases in Australia and South Korea accounted for the highest rental growth rates, achieving approximately 19.5% in the year. This significantly mitigated the cap rate expansion for assets in Australia and South Korea, save for those with longer Weighted Average Lease Expiry ("WALE"). The Group has been very selective in China, with nearly 70% of the stabilised properties located in major economic hubs in the Yangtze River Delta and Greater Bay Area where demand is driven by the strong activity in renewable energy industries and cross-border e-commerce respectively.

The Group maintains a well-staggered lease expiry profile with WALE of 4.6 years⁴ (by income).

Large New Economy development workbook to fuel future earnings growth

As at 31 December 2023, ESR had over 24.5 million sqm of GFA in its development pipeline across its portfolio including a sizeable landbank of about 7 million sqm for future development. Development activity was solid in light of the difficult environment with US\$6.3 billion and US\$4.2 billion of starts and completions, respectively, in FY2023. In total, only 2% of the development starts were in Mainland China where ESR materially slowed the pace of new development projects in FY2023. 61% of development completions were mainly from Australia, Japan, South Korea, followed by 30% from Mainland China.

In terms of work-in-progress, it is similarly diverse, with 52% comprising projects in Japan, South Korea and Australia / New Zealand, 26% in India / Southeast Asia and Hong Kong, and data centres make up a further 13% of the total. About 90% of the Group's workbook is planned for completion between FY2024 and FY2027. As the Group develops more large-scale, multi-story or multi-phase projects, including data centre projects, it has increasing visibility towards future fee income.

ESR's strong development pipeline includes numerous landmark projects which will create new benchmarks in the market and drive future fees and development profit:

- Data Centres are expected to be an increasing contribution to the Group, with 24% of development starts in FY2023. The Group will have 575 MW upon the completion of 8 sites (including a 100% pre-leased site in Hong Kong and India). In addition, the Group's pipeline of land and projects will contribute more than one additional gigawatt (1 GW+).
- In Australia and New Zealand, LOGOS is currently developing Australia's largest intermodal logistics precinct, the Moorebank Intermodal Precinct (MIP) in south-western Sydney, with initial approval for 850,000 sqm of warehouse opportunities directly adjacent to key rail intermodal facilities to access Australia's rail infrastructure. When fully developed, MIP will have an estimated value of A\$4.2 billion. LOGOS has also partnered with Amazon Australia and AustralianSuper to develop a second Amazon Robotics fulfilment centre in Melbourne. ESR Australia and Toll Group have committed approximately A\$420 million to invest into a next-generation Retail Distribution and Fulfilment Facility at ESR Australia's Westlink Industry Park, where Toll has committed to a 10-year lease.
- In Japan, capitalising on strategic opportunities and investor interest, the Group is developing a US\$1.5 billion multi-phase logistics park, ESR Kawanishi Distribution and Techno Park on a 500,000 sqm site located in Greater Osaka, making it one of the largest and most significant urban rezoning developments to accommodate Japan's ongoing expansion in e-commerce.
- In South Korea, where rental demand remains strong with limited supply in strategic locations, the Group is developing a US\$800 million logistics park, Busan New Port on a 685,475 sqm land

site located in Greater Busan, the country's largest container terminal and the world's sixth largest port by volume.

- In Southeast Asia, a significant growth market for the next decade, the Group has expanded into Thailand where it is developing the 253,000 sqm Asia Industrial Estate Suvarnabhumi and has commenced a built-to-suit development for Nasdaq-listed Advanced Energy's flagship factory within the ESR Asia Laem Chabang industrial estate.

Proactive capital management

Proactive capital management strategies have ensured ample liquidity with an aggregated US\$2.5 billion of cash and loan drawdown availability in place. Furthermore, during the year, the Group successfully diversified its funding sources through the US\$1.2 billion multi-currency revolving credit facility secured with various foreign banks. While gearing closed year-end at 30.7% at 31 December 2023, it is expected to reduce once the previously announced transactions in 2023 are completed, with proceeds applied towards debt repayment. The Group is expected to reduce its gearing over the medium term towards the low end of its gearing target of 20-30%.

The Group has expanded and diversified its funding and capital structure during the year:

- Received an investment grade first-time 'AA-' rating with a stable outlook from the Japan Credit Rating Agency, Ltd in March 2023
- Received AAA (Stable Outlook) from China Chengxin International Credit Rating Co., Ltd., one of the top rating agencies in Mainland China in September 2023
- Launched two series of Japanese Yen denominated fixed rate bonds in July 2023: (i) JPY20 billion 1.163% fixed rate notes due 2026; and (ii) JPY10 billion 1.682% fixed rate notes due 2030, under its US\$2 billion Multicurrency Debt Issuance Programme
- Secured US\$4 billion of sustainability-linked/green loans and closed JPY30 billion of Japanese Yen-denominated, fixed rate bonds in July 2023, resulting in a better-optimised debt currency profile with USD-denominated loans reduced to 17% of total debt as at end 2023, thereby reducing weighted average interest cost by 30 basis points from 5.6% in 1H2023 to 5.3% for FY2023.

Forging ahead for a sustainable future

ESR's purpose is *Space and Investment Solutions for a Sustainable Future*. This drives the Group to manage sustainably and impactfully and consider the environment and the communities in which the company operates as key stakeholders.

The Group has made significant progress against its targets set out under its ESG 2030 Roadmap, which was launched in May 2023. The roadmap underscores the Group's commitment to enhance its synergies and accelerate long-term sustainable growth across the three key pillars under the ESG Framework — "Creating a Human Centric environment that is safe, supportive and inclusive for stakeholders"; "Developing and maintaining a sustainable and efficient Property Portfolio"; and "Delivering outstanding Corporate Performance for sustained and balanced growth".

Under the social domain, the Group continues to advocate diversity, equity, and inclusion in the workplace, uphold employee health and safety, drive employee engagement, and scale up community investment. As at end-2023, female representation is approximately 45%. Across the Group, community investment efforts continue to be implemented under three dedicated focus areas, namely: "Strengthening Social Resilience, Health and Well-being", "Promoting Education & Upskilling", in addition to "Protecting the Environment".

The Group is committed to developing and maintaining sustainable and efficient buildings and increasing sustainable building certifications and ratings. As at end-2023, 110 MW of rooftop solar power capacity, as well as 850 EV charging stations, have been installed across the portfolio. Synergistic partnerships, including in some cases with tenants, have been launched as part of the Group's efforts to transition to a low-carbon future. Approximately 42% of ESR's portfolio of completed, directly managed assets have obtained sustainable building certifications and ratings such as LEED, WELL and NABERS.

From a governance perspective, the Group is committed to upholding the utmost standards of corporate governance to ensure accountability, transparency, fairness, and integrity across all its operations. Over the past year, the Group embarked on preparatory work for its inaugural United Nations-supported Principles of Responsible Investment (UN PRI) reporting in 2024. Strengthening its leadership in sustainable financing, the Group closed a total of seven sustainability-linked loans worth approximately US\$4 billion as at end-2023. The Group also continues to be recognised for its robust ESG disclosure practices by maintaining rankings across various globally recognised ESG benchmarks and ratings such as GRESB, MSCI, Sustainalytics, and ISS.

Notes

¹ Fund Management EBITDA excludes the share of fair value of financial derivative assets in relation to certain Associates.

² Fee-related AUM excludes AUM from Associates and levered uncalled capital.

³ Based on FX rates as 31 December 2023.

⁴ New Economy assets only. Excluding REITs portfolios.

⁵ Stabilised New Economy assets only.

⁶ Weighted by AUM of each respective country.

⁷ Based on closing share price of HK\$8.73 on 20 March 2024.

⁸ Total AUM included the reported AUM of the Associates and assumed the value of the uncalled capital commitments in the private funds and investment vehicles on a levered basis.

⁹ Refers to EBITDA, which excludes the share-based compensation expense, share of fair value on investment properties and financial assets at fair value through profit or loss and financial derivative assets in relation to certain Associates, as well as impairment loss for non-core business; and in 2022 which also excluded the transaction costs related to the ARA Acquisition.

¹⁰ Refers to PATMI, which excludes the amortisation of intangible asset attributable to the ARA Acquisition (net of tax), share-based compensation expense related to ARA, share of fair value on investment properties and financial assets at fair value through profit or loss and financial derivative assets in relation to certain Associates, as well as impairment loss for non-core business; and in 2022 which also excluded transaction costs related to the ARA Acquisition.

¹¹ Based on development pipeline, including landbank.

About ESR

ESR is APAC's largest real asset manager powered by the New Economy and one of the largest listed real estate investment managers globally. With over US\$80 billion in fee-related assets under management, our fully integrated fund management and development platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, with a 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. 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. For more information on ESR, please visit www.esr.com

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