

## Message from Chairman



**JEFFREY DAVID PERLMAN**

*Chairman*

**On the back of strong secular trends, we will focus on three pillars of growth — New Economy, Alternatives (including infrastructure and renewables) and REITs.**

**Dear Shareholders,**

2022 represented one of the most challenging market environments since the global financial crisis with sustained inflation, record rate hikes and significant geopolitical and macro challenges. I am very pleased that even amidst these headwinds and market volatility, ESR has continued to deliver solid growth which is a strong testament to our business model.

The Group's Revenue for FY2022 was US\$821 million, up 103.0% from FY2021 revenue of US\$404 million. Total EBITDA<sup>1</sup> increased by 63.0% from US\$707 million in FY2021 to US\$1.15 billion in FY2022. PATMI<sup>2</sup> grew 73.5% from US\$377 million in FY2021 to US\$655 million in FY2022. The higher revenue was driven by higher fees from the Group's Fund Management segment while EBITDA was boosted by an increase in fee income, share of profits of co-investments and gains on divestment from balance sheet assets to ESR-managed funds in Australia and China.

### **A standout year for fund management**

I am proud to report that our Fund Management segment achieved another year of outstanding performance in FY2022, backed by our deep capital partner relationships. Fund Management Segmental EBITDA<sup>3</sup> grew 185.3% to US\$568 million, driven by substantial recurring and other fee revenue from higher AUM, record development, leasing fees and solid promotes. The segment was propelled by the exceptional growth momentum of the Group's fund AUM<sup>4,5</sup> which rose 330% year-on-year to US\$152 billion,

Notes:

1. Total EBITDA excludes amortisation of intangibles and transaction costs relating to ARA; and share of certain associates' fair value on investment properties, financial assets at fair value through profit or loss and financial instruments; as well as share-based compensation expense. Statutory Total EBITDA was US\$1,069 million.
2. PATMI excludes amortisation of intangibles and transaction costs and share-based compensation expenses relating to ARA; share of certain associates' fair value of investment properties and financial assets at fair value through profit or loss and financial instruments. Statutory PATMI was US\$574 million.
3. Excludes share of certain associates' fair value on investment properties and financial assets at fair value through profit or loss and financial instruments.



ESR Jiangsu Friends III, Kunshan, China

out of which New Economy AUM<sup>4,5</sup> grew by 85% to US\$73 billion, including a new Pan Asia discretionary logistics vehicle. The Group's Fund Management segment also benefitted from ARA's recurring and stable fee revenue.

As global institutional investors sought to rebalance their portfolio allocations in light of the growth in Asia Pacific, we raised US\$7.6 billion in committed capital across 28 new or upsized funds and mandates.

In expanding our Fund Management business, we have a record US\$19.9 billion of "dry powder" to capitalise on new opportunities, giving us the agility to take advantage of market dislocation.

### Powered by the New Economy

With the growth in e-commerce and the need for greater local supply chain resilience, ESR has tapped the rising demand for large-scale and high-quality New Economy assets by scaling up our development starts and completions substantially to reach new heights. We achieved US\$6.5 billion<sup>6</sup> worth of development starts, as well as US\$5.5 billion<sup>6</sup> in completions, which accelerated in the second half of 2022. Given the record low vacancy rates across the portfolio, the Group substantially increased our development starts by 94% year-on-year

to US\$6.5 billion<sup>6</sup> which was further complemented by development completions which increased by 304% year-on-year to US\$5.5 billion<sup>6</sup>. To further capture the favourable operating backdrop, we are very pleased that our development workbook has reached a record US\$11.9 billion, which remains the largest in APAC.

### Robust capital management and asset light strategy

Our robust capital management has given us a strong and well-capitalised balance sheet with US\$1.8 billion in cash and a healthy gearing<sup>7</sup> of 22.8% as of 31 December 2022. Throughout the year, we continued to expand and diversify our funding and capital structure which is crucial for fuelling the Group's long-term growth.

Staying focussed on our asset light approach, we divested US\$1.7 billion of assets from our balance sheet to ESR managed funds in FY2022, achieving 3 times our annual historical target with a specific focus on crystallising gains from selected China balance sheet assets. Our sell-down of a 850,000 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 our 18.16% holding in China Logistics Property Holdings Co., Ltd in May 2022, receiving US\$349 million and delivering a strong return on this four-year investment.

#### Notes:

4. Based on constant FX translation as of 31 December 2021 for a like-for-like comparison. Based on FX translation as of 31 December 2022, Fund AUM would be US\$142 billion (US\$10 billion FX translation impact) and New Economy AUM would be US\$68 billion (US\$5 billion FX translation impact).
5. Refers to the sum of (i) the fair value of the properties held in the private funds and investment vehicles we manage; (ii) the total uncalled capital commitments in the private funds and investment vehicles; (iii) the additional debt that is estimated to be incurred with reference to the target leverage ratio of the relevant private funds and investment vehicles we manage when all capital is called and invested; and (iv) the appraised carrying value of listed REITs.
6. New Economy assets only. Excludes listed REITs and Associates.
7. Net Debt/Total Assets.

## Message from Chairman

### Laser-focused on business transformation and simplification

A key emphasis for us has been to drive business transformation and simplification, which underscore our commitment to delivering long-term shareholder value. We have achieved approximately US\$15 million of cost synergies from the integration of ARA, exceeding our target plan, and successfully integrated part of the LOGOS business. We expect to create additional synergies as we further integrate various aspects of the LOGOS business over the next 12 months. As part of our priority to streamline and further simplify the business, the Group is evaluating an additional up to US\$750 million of non-core divestments with the plan to redeploy the capital back into core areas of growth. We have also further lowered our average co-investment stake to 7.4%, placing us in a good position to take on greater development capacity without increasing our existing balance sheet annual commitments.

The Group's business transformation backed by our asset light model has provided us with robust liquidity to redeploy the capital back into our New Economy focus areas. This includes creating our data centre platform with the first close of the US\$1 billion ESR Data Centre Fund and investing in market leaders through our recent strategic investment and partnership with BW Industrial Development in Vietnam to provide best-in-class development, leasing and other fund management services to the company.

### Anchored by three key pillars of growth

On the back of strong secular trends, we will focus on three pillars of growth — New Economy, Alternatives (including infrastructure and renewables) and REITs. With e-commerce expanding at 10% across APAC through 2025, hyperscale data centres growing at a 30%+ CAGR through 2025, and heightened focus on R&D and pharmaceuticals, we will continue to seize opportunities to deploy capital into sectors including data centres, logistics, life sciences and high-tech industrial. The New Economy Pillar will in turn fuel the growth of our Alternatives segments such as infrastructure and renewables as well as our REIT business. With the largest amount of rooftop space in APAC, the Group started an ambitious rollout of solar projects with the support of our capital partners. These renewable opportunities will power New Economy assets such as data centres and cold storage across the Group. In addition, with the APAC REIT market expected to grow by a 12% CAGR to reach US\$1.3 trillion of market capitalisation by 2030, ESR is in a unique position to grow our REITs over time. Our capital partners are increasingly turning to us to sell down high-quality assets and there is positive REIT legislation that will continue to open new markets and opportunities for us across the region. Our potential C-REIT spinout is a testament to how REITs remain as the natural takeout of New Economy assets upon stabilisation.

### Leading the way forward in ESG

At ESR, we believe in doing what is right for the environment and the communities that we operate in. During the year and with the support of multiple stakeholders, we have achieved great progress on our ESG initiatives including the appointment of two new female independent non-executive directors, Ms Serene Nah and Ms Kwee Wei-Lin, maintaining a diverse Board composition with the appropriate mix of gender, background and experience. As a result, 60% of our independent non-executive directors are women at the Board level. Other key highlights include becoming a signatory of the United Nations-supported Principles for Responsible Investment (UN PRI), reinforcing our commitment to adopting and promoting responsible investment and asset management practices as part of the Group's ongoing ESG efforts. In line with international ESG benchmarks and global ratings, ESR continues to be recognised for our robust and exemplary ESG disclosure practices with creditable 2022 rankings in the Global Real Estate Sustainability Benchmark ("GRESB") Assessment, MSCI ESG Ratings and Sustainalytics ESG Risk Ratings. I am proud that every day we are making a choice to raise the bar for ESG integration and deliver on our ESG Roadmap.

### Appreciation and looking ahead

I would like to extend my sincere gratitude to our Board of Directors for their invaluable support. I am also delighted to welcome Serene and Wei-Lin to the Board as Independent Non-executive Directors. I thank our management team led by Stuart and Jeffrey and all our employees who strive each day to be the best at what they do. To our capital partners, customers and shareholders, we thank you for your unwavering trust and support.

The scale of ESR today is truly remarkable. As APAC's largest real asset manager powered by the New Economy and the biggest REIT platform across the region, we remain a trusted partner for 12 of the top 20 global capital partners to deploy capital across APAC. Despite the growing uncertainty in the market — geopolitical, future rate hikes, inflation and others, ESR is armed with a well-capitalised balance sheet to capture the right opportunities, chart the next chapter of our growth and deliver long-term value for shareholders.

**JEFFREY DAVID PERLMAN**

*Chairman*

22 March 2023