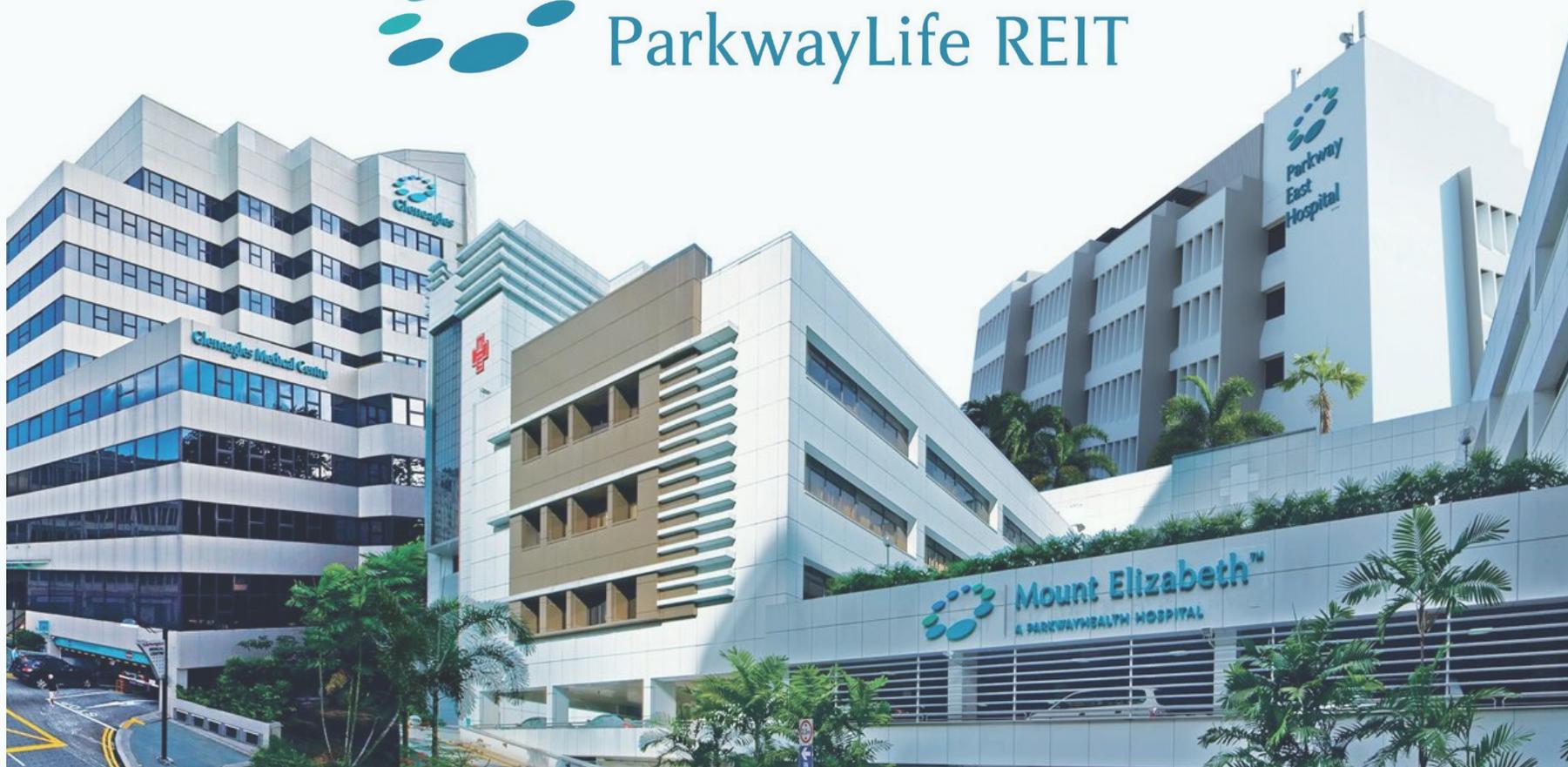




ParkwayLife REIT



**The Proposed Entry into the New Master Lease Agreements for Mount Elizabeth Hospital Property, Gleneagles Hospital Property and Parkway East Hospital Property and the Renewal Capex Agreement which constitutes an Interested Person Transaction**

30 September 2021

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**This presentation shall be read in conjunction with the announcements dated 14 July 2021 and 8 September 2021 and the Circular dated 8 September 2021 released to the SGX-ST.**

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Any discrepancies between the figures in the tables and charts and the listed amounts and totals thereof are due to rounding.

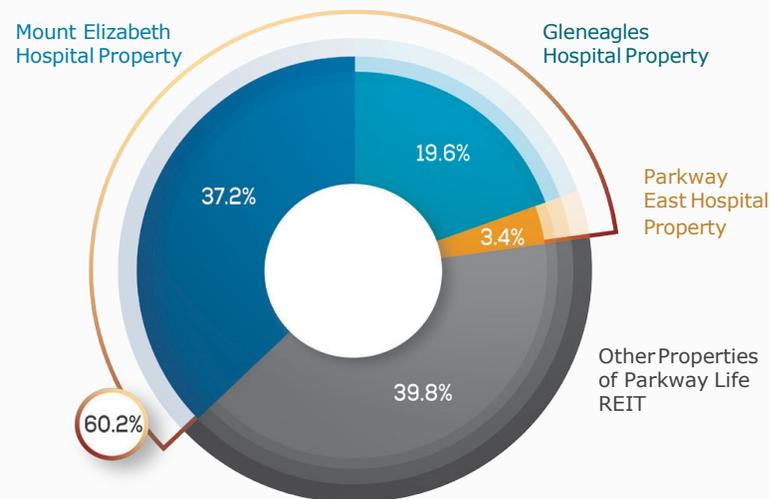
# SUMMARY OF APPROVAL SOUGHT

The Manager seeks approval from unitholders of Parkway Life REIT (“**Unitholders**”) for the proposed entry into the new master lease agreements (the “**New Master Lease Agreements**”) in relation to Mount Elizabeth Hospital Property, Gleneagles Hospital Property and Parkway East Hospital Property (the “**Properties**”) and the Renewal Capex Agreement (collectively, the “**Proposed Transaction**”).

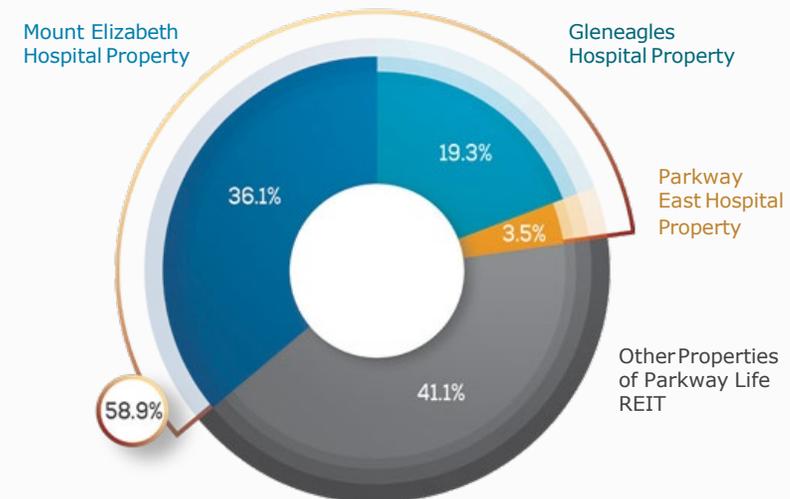
The Properties are key assets of Parkway Life REIT and the initial term of 15 years under the existing master lease agreements is due to expire on 22 August 2022.

In connection with the Proposed Transaction, a wholly-owned subsidiary of the Sponsor shall grant Parkway Life REIT a right of first refusal (“**ROFR**”) over Mount Elizabeth Novena Hospital Property.

**Asset Value Contribution by the Properties as at 31 December 2020**



**NPI Contribution by the Properties for the financial year ended 31 December 2020**



# EXTENSION OF STRATEGIC COLLABORATION FOR SINGAPORE HOSPITALS BY PARKWAY LIFE REIT AND IHH HEALTHCARE

## SUSTAINING RENTAL INCOME STREAM FOR UNITHOLDERS

*“ We are pleased to extend our longstanding strategic lease arrangement with our Master Lessee. With its extensive experience and repute, the Singapore Hospitals will continue to deliver quality operating performance, thereby underpinning the organic income growth of PLife REIT to deliver strong and stable distributions for the benefit of our Unitholders. More importantly, on an overall, the strategic arrangement marks a solid step in our growth journey and we look forward to further collaborations with IHH Healthcare. ”*

*Mr. Yong Yean Chau, CEO of Parkway Trust Management Limited*



## SECURING OPERATIONAL CONTINUITY IN SINGAPORE

*“ Our Singapore hospitals are top performers for the Group as they provide world-class treatment and service, and generate strong, stable earnings even amid COVID-19. Partnering PLife REIT to extend the lease agreements for three of our hospitals in Singapore represents business continuity and operational stability for IHH Healthcare. They are key to IHH continuing to earn the trust of our patients, employees and shareholders. The S\$150 million in upgrades to our facilities will further enhance the top-notch service offerings we are known for and we look forward to collaborating closely with PLife REIT to ensure our Singapore operations remain positioned for future growth. ”*

*Dr. Kelvin Loh, Managing Director & CEO of IHH Healthcare*



# KEY HIGHLIGHTS

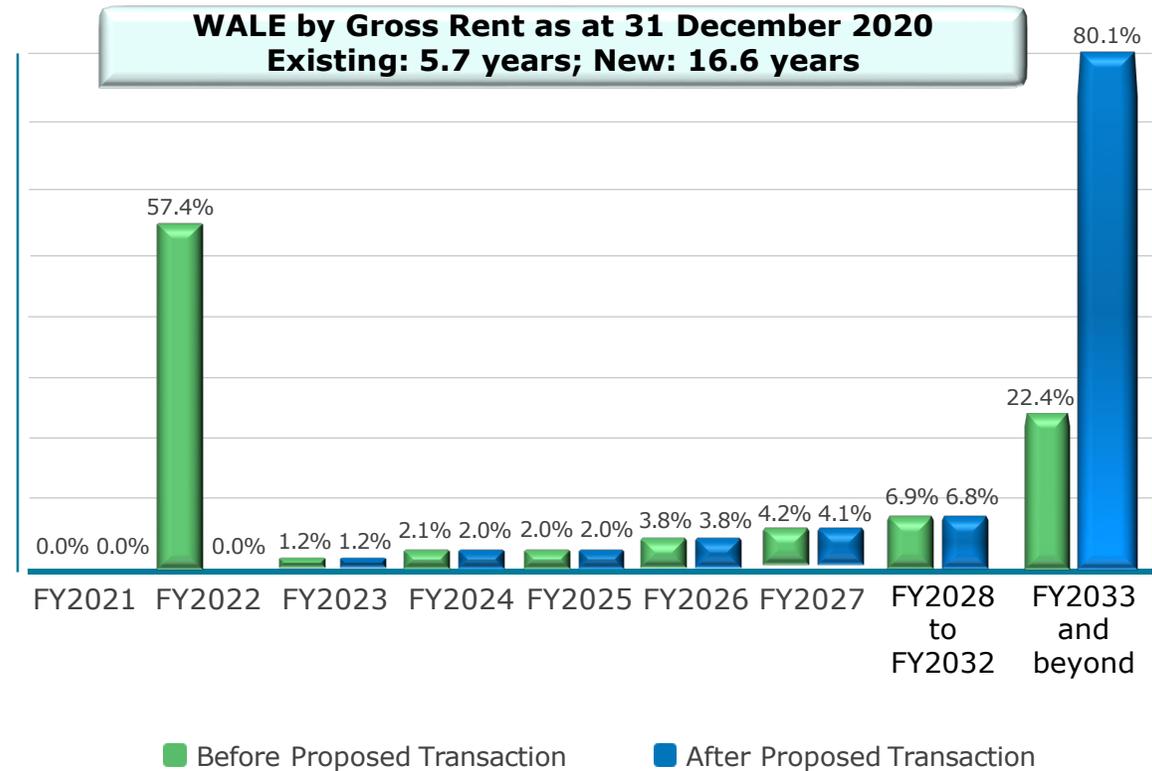
- 1 **INCOME CERTAINTY WITH LONG LEASE TERM**
- 2 **ORGANIC GROWTH WITH CLEAR RENT STRUCTURE**
- 3 **ENHANCEMENT WITH RENEWAL CAPEX WORKS**
- 4 **ROFR OVER A QUALITY ASSET**

# 1. INCOME CERTAINTY WITH LONG LEASE TERM

The New Master Lease Agreements will provide a steady stream of quality rental income for Parkway Life REIT by ensuring 100% committed occupancy for the Properties over a long lease term till 31 December 2042.

WALE of Parkway Life REIT's overall portfolio by gross rent is expected to improve significantly from 5.7 years to 16.6 years as at 31 December 2020.

## Portfolio Lease Expiry (by Gross Rent)

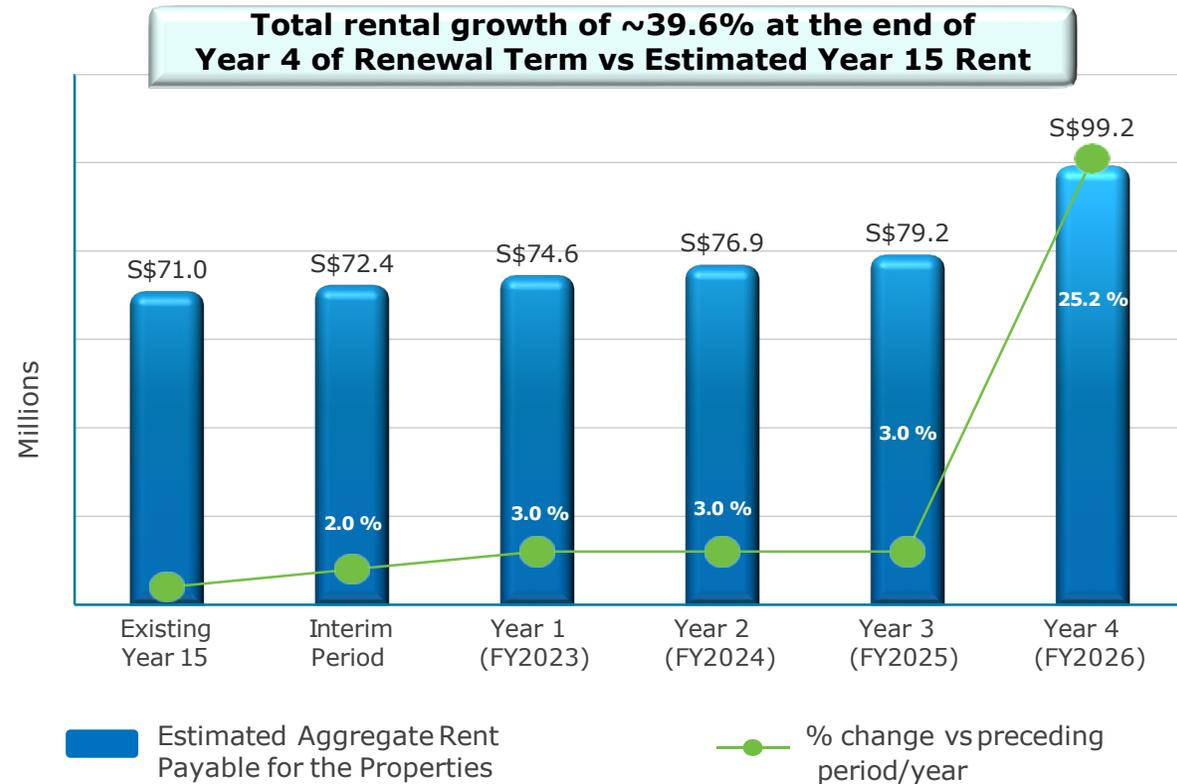


## 2. ORGANIC GROWTH WITH CLEAR RENT STRUCTURE

Fixed rental step-up till FY2025. Annual rent review formula (similar to current formula in the existing master lease agreements) from FY2026 to FY2042 will continue to guarantee a minimum 1% rental growth annually for the Properties and provide the opportunity for Parkway Life REIT to ride on the variable rent growth following completion of the Renewal Capex Works (as defined herein).

The triple-net lease arrangement continues to limit Parkway Life REIT's exposure to escalating operating expenses.

### Estimated Aggregate Rent Payable for the Properties



### 3. ENHANCEMENT WITH RENEWAL CAPEX WORKS

One-time injection of Renewal Capex Costs of up to S\$150 million (exclusive of GST) by Parkway Life REIT to improve and upgrade the Properties (built more than 30 years ago).

The Renewal Capex Works will enhance the quality positioning and increase competitiveness of Parkway Life REIT and the Master Lessee.



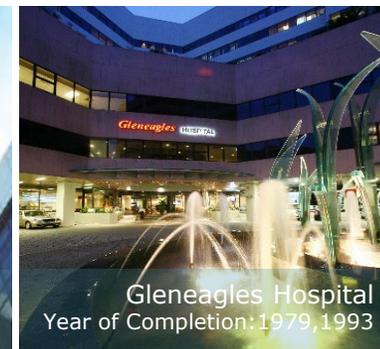
Enhance the overall performance, operations and architectural design of the existing high quality Properties

Improve utilisation of available space and resources of the Properties

Allow the hospitals to meet with patient demand and better serve the community in need as well as to address emerging and evolving healthcare trends



Mount Elizabeth Hospital  
Year of Completion: 1979,1992



Gleneagles Hospital  
Year of Completion:1979,1993



Parkway East Hospital  
Year of Completion1982,1987

## 4. ROFR OVER A QUALITY ASSET

Fresh Grant of ROFR over Mount Elizabeth Novena Hospital Property<sup>2</sup> enhances acquisition growth potential of Parkway Life REIT, demonstrates the Sponsor's strong support for Parkway Life REIT and paves the way for potential further collaboration with IHH Healthcare Berhad (one of the world's largest healthcare network).



ROFR granted by Sponsor to Parkway Life REIT at Initial Public Offering had expired in 2012<sup>1</sup>

Fresh grant of ROFR for a quality healthcare asset in Singapore

Strong support from Sponsor, a wholly-owned subsidiary of IHH Healthcare Berhad, which is one of the world's largest healthcare network with more than 15,000 licensed beds across 80 hospitals in 10 countries worldwide



Mount Elizabeth Novena Hospital Property



# OVERVIEW OF AGREEMENTS

1

NEW MASTER LEASE AGREEMENTS

2

RENEWAL CAPEX AGREEMENT

3

ROFR

# 1. NEW MASTER LEASE AGREEMENTS

## Renewal Term

23 August 2022 to 31 December 2042 comprising:

- (i) Interim Period (23 August 2022 to 31 December 2022); and
- (ii) 20 years (1 January 2023 to 31 December 2042).

## Extended Term

Option for Master Lessee to renew for a further term of 10 years (1 January 2043 to 31 December 2052).

## Rent Payable for the Renewal Term for all Properties

- Renewal Capex Works are estimated to take approximately three years to complete and are expected to take place from FY2023 to FY2025 (the "**Downtime Period**").
- Rent rebate on a tiered basis totalling approximately S\$60.9 million will be granted to the Master Lessee during the Downtime Period due to operational and income disruptions (the "**Downtime Period Rent Rebate**").
- Initial Rent for FY2023 is at S\$97.2 million (supported by rental valuations of CBRE and Knight Frank) and will be subject to the Downtime Period Rent Rebate.
- Nonetheless, rents are guaranteed to increase from 23 August 2022 till FY2025 with 2.0% and 3.0% step-up in rent for the Interim Period and the Downtime Period from preceding year/period respectively.
- Annual rent review formula i.e. higher of the  $\{1+(CPI^{1+1\%}) \times \text{total rent payable for the immediately preceding year}\}$  or  $\{\text{Base Rent} + \text{Variable Rent}\}$  shall be applicable for FY2026<sup>2</sup> to FY2042.

## 2. RENEWAL CAPEX AGREEMENT

### Key Terms

- Parkway Life REIT will be responsible for a one-time capital expenditure cost of up to S\$150 million (exclusive of GST) (the “**Renewal Capex Costs**”) to conduct certain capital expenditure works on the applicable Properties (the “**Renewal Capex Works**”).
- Physical construction is expected to start by 1 January 2023<sup>1</sup>; Master Lessee may request for Parkway Life REIT to carry out the works in phases due to operational considerations and all Renewal Capex Works are expected to complete no later than 31 March 2028<sup>2</sup>.
- Bulk of the works expected to be performed on Mount Elizabeth Hospital Property.

### Renewal Capex Works

Substantially based on the following, subject to changes and variations based on the findings of the feasibility studies<sup>3</sup>:

- Future proofing through improvement works of the safety features and utilities infrastructure;
- Enhancing building performance with eco-friendly and sustainability features through Green Mark certification and technological advances such as building management system; and
- Refreshing aesthetic and the experience of the space of the property as well as addressing patient demand and evolving healthcare trends through upgrading and reconfiguration of the hospital space and functions.

1. Subject to completion of feasibility studies, design development, tender and procurement and obtainment of all relevant development, building and regulatory approvals or such other extended date as may be reasonably and mutually agreed in good faith between Parkway Life REIT and the Master Lessee.  
2. Or such extended date in accordance with the Renewal Capex Agreement or such other date to be mutually agreed between Parkway Life REIT and the Master Lessee.  
3. The feasibility studies conducted by independent consultants appointed by Parkway Life REIT will be completed around October 2021 and further details relating to the Renewal Capex Works shall be disclosed by the Manager in due course.

### 3. ROFR

In connection with the Proposed Transaction, Parkway Novena Pte. Ltd. (a wholly-owned subsidiary of the Sponsor) shall grant to Parkway Life REIT, a ROFR in respect of a sale, assignment or transfer of its ownership interest (or any part thereof) of the hospital block of the Mount Elizabeth Novena Hospital development<sup>1</sup> (the “**Mount Elizabeth Novena Hospital Property**”) save and except the business and/or other non-real estate assets for a period of 10 years from the date of the ROFR agreement.



*Conveniently located in the city fringe district of Singapore, the Mount Elizabeth Novena Hospital Property is a modern hospital which provides tertiary treatments in the comfort of all single bedded rooms and has received Joint Commission International accreditation, the gold seal of approval for quality healthcare*

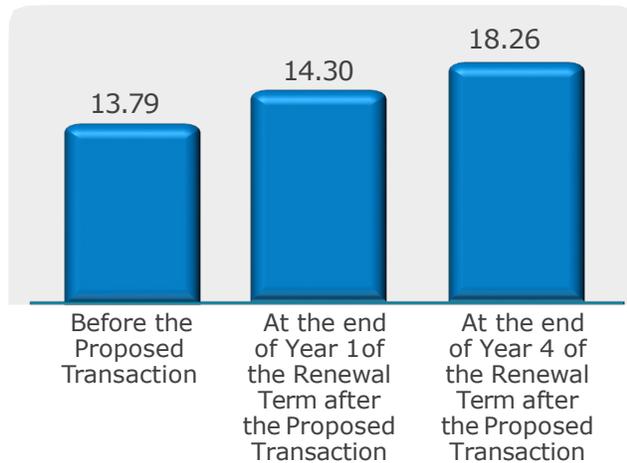
# FUNDING AND PRO FORMA FINANCIAL EFFECTS

Based on assessment of prevailing market conditions, the Manager intends to wholly finance the Renewal Capex Costs and related feasibility studies expenses via external borrowings.

Pro Forma financial effects (for illustration only)<sup>1</sup>

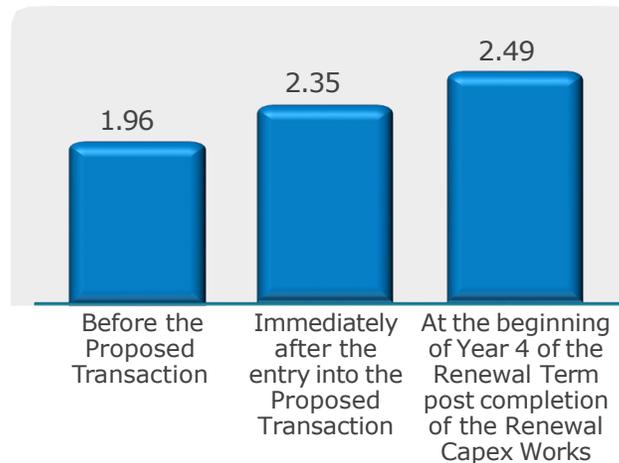
## Pro Forma DPU (cents)

(as if the Proposed Transaction was completed on 1 January 2020)



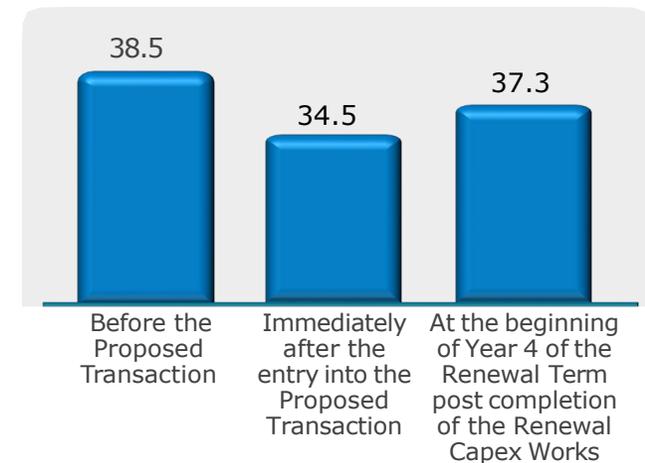
## Pro Forma NAV per Unit (\$)

(as if the Proposed Transaction was completed on 31 December 2020)



## Pro Forma Gearing (%)

(as if the Proposed Transaction was completed on 31 December 2020)



# WELL-POSITIONED TO RIDE ON GROWTH POTENTIAL OF SINGAPORE'S HEALTHCARE INDUSTRY



The healthcare sector in Singapore is poised for strong growth, driven mainly by the rapidly ageing population, the rising number of chronic disease patients and medical tourism. Singapore's private healthcare services market generated an estimated revenue of USD6.43 billion in 2020 and is projected to record a compound annual growth rate of 10% from 2021 to 2025. The private hospital market contributed the highest revenue share of 46.5% or USD2.99 billion in 2020<sup>1</sup>.

With the Properties under the operations of the Master Lessee (one of the leading providers of private healthcare services in Asia) and coupled with the enhancement of the Properties with the Renewal Capex Works, the Properties will remain well-positioned to ride on the growth potential of the Singapore healthcare industry.

# KEY TRANSACTION ADVISERS

LEGAL ADVISER  
(MANAGER)

ALLEN & GLEDHILL

LEGAL ADVISER  
(TRUSTEE)

DENTONS RODYK

INDEPENDENT FINANCIAL  
ADVISER



INDEPENDENT VALUER

CBRE

INDEPENDENT VALUER



INDEPENDENT MARKET  
RESEARCH CONSULTANT

FROST & SULLIVAN

# *Thank You*



**PARKWAY TRUST MANAGEMENT LIMITED**

101 Thomson Road  
#28-03 United Square  
Singapore 307591  
Tel: (65) 6507 0650  
Fax: (65) 6507 0651  
[www.plifereit.com](http://www.plifereit.com)