



## Performance Report for the Fourth Quarter of 2020

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21 May 2021

This document was prepared by AREIT Fund Managers, Inc. ("AFMI") for AREIT, Inc. ("AREIT" or the "Company") in compliance with the reportorial requirements of the REIT Implementing Rules & Regulations under Republic Act No. 9856.



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FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 DECEMBER 2020

A. Statement of Comprehensive Income for the Year Ended 31 December 2020

<i>In Pesos, Thousands</i>	Total	Breakdown per property			
		Solaris	Ayala North Exchange	MECC	TP Cebu
Rental income	1,495,724	582,861	767,759	103,024	42,080
Dues	305,087	198,307	81,019	15,680	10,082
Interest income from finance lease receivables <sup>1</sup>	150,814	0	150,814	0	0
<b>Revenue</b>	<b>1,951,625</b>	<b>781,168</b>	<b>999,592</b>	<b>118,704</b>	<b>52,162</b>
Direct operating expenses	244,662	81,130	159,929	1,710	1,894
Fund management fees	50,706	28,941	17,260	2,002	2,503
Property management fees	64,404	16,994	42,367	2,909	2,135
<b>Cost and expenses</b>	<b>359,773</b>	<b>127,065</b>	<b>219,555</b>	<b>6,621</b>	<b>6,532</b>
<b>Net operating income</b>	<b>1,591,853</b>	<b>654,103</b>	<b>780,037</b>	<b>112,083</b>	<b>45,630</b>
General and administrative expenses	49,466				
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>1,542,386</b>				
Depreciation	225,538	45,979	144,673	22,383	12,503
Interest income	78,671				
Interest expense	(65,419)				
Other income	3,661				
<b>Other income (charges) - net</b>	<b>16,912</b>				
<b>Income before tax</b>	<b>1,333,761</b>				
Provision for income tax	106,576				
<b>Net Income</b>	<b>1,227,184</b>				
Other comprehensive income	0				
<b>Total comprehensive income</b>	<b>1,227,184</b>				
<b>Distributable income</b>	<b>1,227,184</b>				
<b>Basic/Diluted earnings per share</b>	<b>1.23</b>				

<sup>(1)</sup> Interest income from finance lease is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with AREIT, which commenced in September 2019.

## B. Income from Related Parties

*In Pesos, Thousands*

	Total	Solaris	Ayala North Exchange	MECC	TP Cebu
<b>Rental income</b>	4,758	4,758			
Alveo Land Corporation	113,299	2,267	111,032		
Bank of the Philippine Islands	2,267		2,267		
BPI Capital Corporation	12,217		12,217		
BPI Securities Corporation	7,638		7,638		
First Gateway Real Estate Corporation					
<b>Interest income from finance lease receivables</b>					
Makati North Hotel Ventures, Inc.	150,814		150,814		
<b>Total income from related parties</b>	<b>290,993</b>	<b>7,025</b>	<b>283,969</b>	<b>0</b>	<b>0</b>
<i>% of income from related parties to total rental income and interest income from finance lease</i>	<i>18%</i>	<i>1%</i>	<i>31%</i>	<i>0%</i>	<i>0%</i>

## C. Adjusted Funds from Operations for the Year Ended 31 December 2020

	Total
Total comprehensive income	₱ 1,227,184,314
Add back: Depreciation	225,537,616
Add/Deduct: PAS adjustment	(47,442,179)
Deduct: CAPEX	(40,150,616)
<b>Adjusted Funds from Operations</b>	<b>₱ 1,365,129,135</b>

**D. Statement of Cash Flows for the Year Ended 31 December 2020**

<b>Cash flows from operating activities</b>	
Income before income tax	P 1,333,760,766
Adjustments for:	
Depreciation and amortization	225,537,616
Interest expense	65,419,124
Gain under finance lease	-
Interest income from finance lease receivables	(150,814,117)
Interest income	(78,670,585)
Operating income before working capital changes	1,395,232,804
Changes in operating assets and liabilities:	
Decrease (Increase) in:	
Receivables	60,676,759
Other assets	(157,314,964)
Increase (decrease) in:	
Accounts and other payables	280,552,617
Deposits and other liabilities	71,237,359
Construction bonds	(11,105,498)
Cash generated from (used in) operations	1,639,279,077
Interest received	78,670,585
Income tax paid	(190,606,074)
Net cash flows provided by (used in) operating activities	1,527,343,588
<b>Cash flows from investing activities</b>	
Decrease (increase) in due from related parties	(343,300,000)
Payments for additions to investment properties	(1,483,807,649)
Net cash flows provided by (used in) investing activities	(1,827,107,649)
<b>Cash flows from financing activities</b>	
Payments of dividends	(953,860,485)
Payments of principal portion of lease liability	(32,796,936)
Net proceeds from issuance of shares	1,223,218,423
Redemption of shares	-
Net cash flows provided by (used in) financing activities	236,561,002
<b>Net increase in cash</b>	<b>(63,203,059)</b>
<b>Cash at beginning of period</b>	<b>122,180,606</b>
<b>Cash at end of period</b>	<b>P 58,977,547</b>

## E. Operating Statistics

	Solaris	Ayala North Exchange	MECC	TP Cebu
Location	Makati	Makati	Makati	Cebu
<b>Overall</b>				
Total gross leasable area (GLA)	46,768	95,300	10,688	18,093
Occupied GLA	44,430	93,779	10,688	18,093
Occupancy rate	95%	98%	100%	100%
Revenue contribution in Q1 2021	40%	51%	6%	3%
Cost contribution in Q1 2021 <sup>1</sup>	30%	62%	5%	3%
<b>Office</b>				
Total GLA	46,027	61,724	9,633	17,682
Occupied GLA	43,726	61,724	9,633	17,682
Occupancy rate	95%	100%	100%	100%
Average rent per sq. m	₱ 944	₱ 924	₱834	₱ 643

<sup>(1)</sup> Contribution of each property to the overall cost. Cost consists of land lease, taxes and licenses, fund and property management fees, and depreciation.

## F. Office Industry Benchmarks

All AREIT properties perform better than industry average in terms of occupancy rate. Average rent per square meter and rental escalations are also at par with industry.

	Makati	Cebu
Occupancy rate	96%	80%
Average rent/sq. m <sup>1</sup>	₱ 800-1300	₱ 550-650

<sup>(1)</sup> Pre-pandemic, annual rental growth observed at average of 5.6%. Recently closed transactions at 2-3% escalation and/or delayed escalations to Year 3 or 4.

Source: Colliers International Q4 2020 Property Market Briefing, 09 February 2020

## G. Investment Return

To date, AREIT dividend yield is 3.44% based on distributed dividend per share of ₱ 0.93 and IPO price per share of ₱ 27.00.

	Aug 2020 IPO	As of 31 Dec 2020
Dividend per share		₱ 1.32 <sup>1</sup>
Price per share	₱ 27.00	₱ 29.35
Dividend yield on IPO price per share		4.89%
Price growth		8.70%
<b>Total return</b>		<b>13.59%</b>

### REIT Benchmarks

	As of 31 Dec 2020
AREIT dividend yield	4.89%
Ten-year BVAL	3.00%
Asia ex-Japan REITs	4.19% <sup>2</sup>

<sup>(1)</sup> Includes dividends paid on 25 March 2021 from 2020 earnings. As per Section 10 of Revenue Regulation No. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth (5th) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.

<sup>(2)</sup> Bloomberg, as of November 2020. Forward REIT yield per Manulife Investment Management's '2021 Outlook: Asia-Pacific REITs, January 2021':

- HK: 5.81%
- SG: 5.00%
- Australia: 3.69%

Total dividends distributed to date was ₱ 1,353,866,494. Dividends per share grew by 9.7% from Q2 to Q3.

Payment date	Covered period	Aggregate amount paid	Dividends per share	Dividend growth (QoQ)	Dividend yield as of 31 Dec 2020 at IPO price per share of ₱27.00
September 15, 2020	Q1 2020	₱ 287,183,802	₱ 0.28	-	
September 15, 2020	Q2 2020	317,953,495	0.31	10.7%	
December 17, 2020	Q3 2020	348,723,188	0.34	9.7%	
March 25, 2021 <sup>1</sup>	Q4 2020	400,006,010	0.39	14.7%	
<b>Total</b>		<b>₱ 1,353,866,494</b>	<b>₱ 1.32</b>		<b>4.89%<sup>2</sup></b>

<sup>(1)</sup> Dividends paid from 2020 earnings. As per Section 10 of Revenue Regulation No. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth (5th) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.

<sup>(2)</sup> 4.85% per REIT plan based on ₱ 1.31 dividends per share and IPO price per share of ₱ 27.00

## H. Current Valuation of the AREIT Properties

The valuation of the AREIT properties is aligned with the appraisal reports issued by Asian Appraisal Company, Inc. Asian Appraisal used the Discounted Cashflows ("DCF") Approach or Income Approach as the primary method to estimate the fair value of the buildings. Under the DCF approach, the cashflows of the

Properties were discounted based on a weighted average cost of capital (WACC) using the Capital Asset Pricing Model.

*In Millions*

Property	Solaris	Ayala North Exchange	MECC	TP Cebu
Type	Building	Building	Building	Building
Valuation	₱ 12,054	₱ 13,810 <sup>1</sup>	₱ 2,072	₱ 2,510
Valuation date	June 2020	June 2020	June 2020	Jan 2021
Valuation method	Income Approach	Income Approach	Income Approach	Income Approach

<sup>(1)</sup> Does not include portion of Ayala North Exchange building under finance lease

#### I. Asset Value as of 31 December 2020

	Total value	Value per share
Book value	₱ 12,338,374,006	₱ 12.03
Net asset value	₱ 35,325,264,423	₱ 34.44

#### J. Current Price per Share and Total Capitalization as of 31 December 2020

Market price per share	₱ 29.35
Market capitalization	₱ 30,103,016,367

#### K. Performance Indicators as of 31 December 2020

Current ratio <sup>1</sup>	3.72:1
Debt-to-equity ratio <sup>2</sup>	-
Net debt-to-equity ratio <sup>3</sup>	-
Profitability Ratios:	
Return on assets <sup>4</sup>	9%
Return on equity <sup>5</sup>	11%
Asset to Equity ratio <sup>6</sup>	1.19:1
Market-to-book ratio <sup>7</sup>	2.44:1

<sup>(1)</sup> Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.

<sup>(2)</sup> Debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage. Total loan as of 31 December 2020 is ₱ 4.45 million.

<sup>(3)</sup> Net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.

<sup>(4)</sup> Return on assets is derived by annualized net income by total assets

<sup>(5)</sup> Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.

<sup>(6)</sup> Asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.

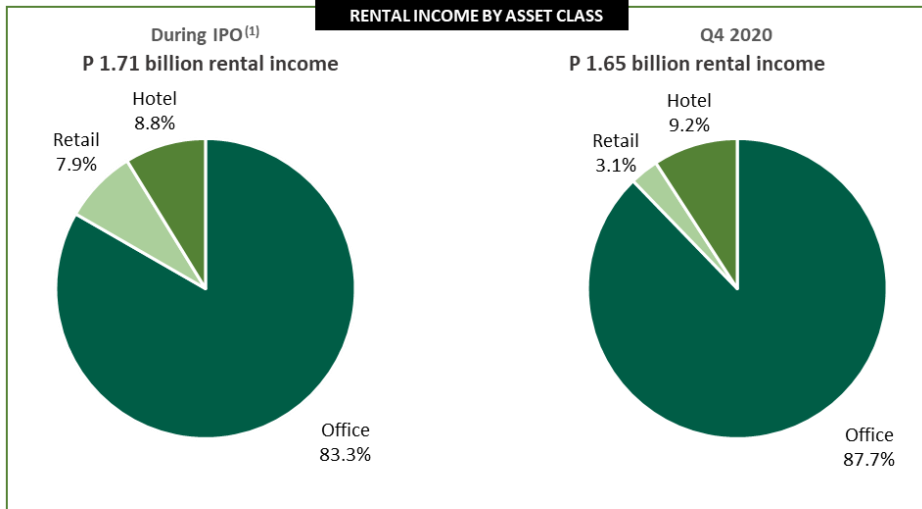
<sup>(7)</sup> Market-to-book ratio is derived by dividing the market capitalization or the stock's closing price by the book value. Market-to-book ratio measures the market's valuation of our company relative to our book value.



## OTHER PERFORMANCE METRICS

### A. Diversified Asset Portfolio

The resilient office sector continues to drive AREIT’s income contributing 88% of its total rental income in 2020. The addition of Teleperformance Cebu in Q4 increased AREIT’s office portfolio and allowed it to expand to other growth centers and expand geographically. Its Cebu property accounts for 10.6% of the total gross leasable area while its Makati properties account for 89.4%.



<sup>(1)</sup> IPO assets include Solaris, Ayala North Exchange, McKinley Exchange Corporate Center

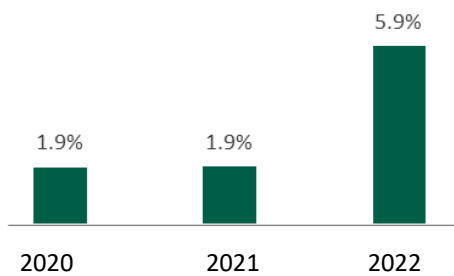
### B. Stable Tenancy & Occupancy Across all Sectors

Average occupancy of AREIT properties remains high at 98% with minimal lease expiries until 2022.

#### Weighted Average Lease Expiry (WALE)

Property	WALE (years)
Office	5.0
Retail	2.8
Hotel	38.0
Overall	10.0

#### Percentage of GLA expiring between 2020-2022



### C. Strong Tenancy of High Credit Grade Locators

AREIT continues to derive recurring income from its solid base of high credit grade tenants composed of top multinational and local companies. The table below shows the top ten largest tenants of AREIT in terms of gross leasable area.

Rank	Tenant	GLA (sq. m)	%
1	Shell Shared Services (Asia), B.V.	33,109	19.4%
2	Makati North Hotel Ventures, Inc. (Seda Residences Makati) <sup>1</sup>	26,034	15.2%
3	Concentrix CVG Philippines, Inc.	24,137	14.1%
4	TPPH-FHCS, INC.	10,099	10.3%
5	Oracle Netsuite (Philippines), Inc.	10,099	5.9%
6	Telus International (Philippines), Inc.	9,633	5.6%
7	Bank of the Philippine Islands	8,480	5.0%
8	ANZ Global Services and Operations (Manila), Inc.	6,953	4.1%
9	Institutional Shareholder Services, Inc	4,823	2.8%
10	Amaysim Philippines, Inc.	4,081	2.4%
	<b>Total GLA</b>	<b>137,448</b>	<b>84.8%</b>

<sup>(1)</sup> Subsidiary of Ayala Hotels & Resorts Corporation

**CERTIFICATION**

This PERFORMANCE REPORT was prepared and assembled under our supervision in accordance with existing rules of the Securities and Exchange Commission. The information and data provided herein are complete, true, and correct to the best of our knowledge and/or based on authentic records.

By:

**AREIT FUND MANAGERS, INC.**  
Fund Manager for AREIT, Inc.

*Patricia Gail Y. Samaniego*  
**PATRICIA GAIL Y. SAMANIEGO**  
Attorney-in-Fact

*Bianca Camille B. Catolico*  
**BIANCA CAMILLE B. CATOLICO**  
Attorney-in-Fact

SUBSCRIBED AND SWORN to before me MAY 20 2021 of May 2021 at Makati City, with the affiant/s exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AREIT FUND MANAGERS, INC. <i>Represented by:</i> Patricia Gail Y. Samaniego Bianca Camille B. Catolico	TIN: 007-888-715-000  Passport No. P4748326B Passport No. EC8281559	8 Feb 2020/DFA NCR South 15 Jul 2016/DFA NCR Northeast

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Series of 2021.

Notarial DST pursuant to  
Sec.188 of the Tax Code  
affixed on Notary Public's copy



*MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ*  
**MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ**  
Notary Public - Makati City  
Appl. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
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