

# Embassy Office Parks REIT

## *Extraordinary Meeting of Unitholders*

December 10, 2020





# I. Embassy REIT Overview

# Track Record Since Listing

Since Listing in April 2019, Embassy REIT has delivered 25% in total returns and demonstrated strong operating and financial performance

## Select Highlights Since Listing<sup>(1)</sup>

**₹27.6 billion**  
Total Distributions

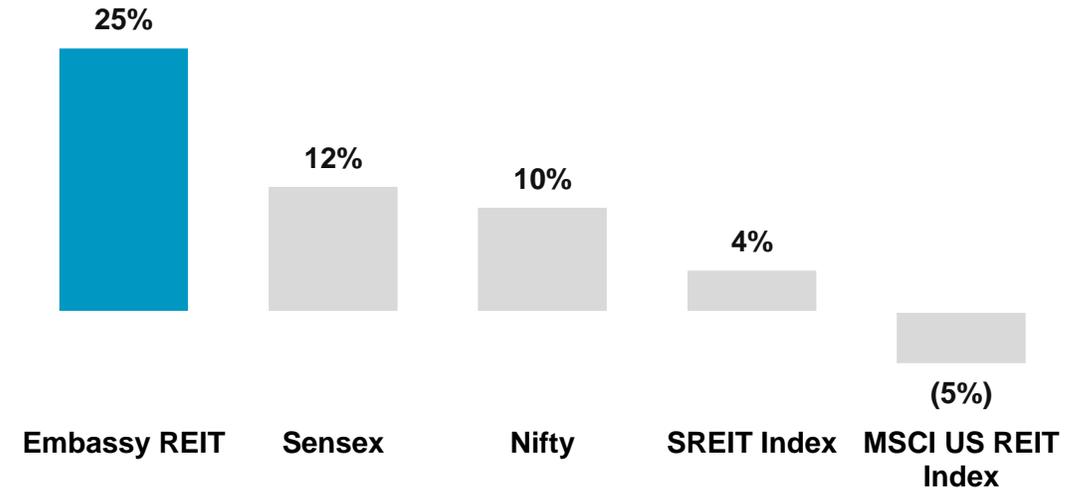
**2.7 msf**  
New Space Leased

**4.1 msf**  
New Development Delivered and Launched<sup>(4)</sup>

**45%**  
Re-leasing Spread Achieved

## Outperforming Benchmarks

Total Returns of Embassy REIT Since Listing<sup>(2,3)</sup>



- ▶ Included in FTSE EPRA Nareit Global Emerging Market Index w.e.f September 21, 2020
- ▶ Included in S&P Global Property Index and S&P Global REIT Index w.e.f. November 2, 2020

Notes:

(1) Represents highlights from April 1, 2019 till September 30, 2020  
 (2) Total Returns are computed based on closing price as of November 9, 2020 from Bloomberg. For Embassy REIT, computed as % of unit price appreciation and distribution yield upto November 9, 2020 upon listing price of ₹300/ unit. Past performance is not indicative of future results  
 (3) Total Returns Index from March 31, 2019 to November 9, 2020 including gross dividends (Bloomberg Index: TOT\_RETURN\_INDEX\_GROSS\_DVDS).  
 (4) Comprises 1.4 msf of new development already delivered and 2.7 msf of new development launched across 3 cities

## II. Opportunity Overview



# Compelling Acquisition Opportunity

ETV is a strategic acquisition of a best-in-class office park that strengthens the REIT's market-leading position in Bengaluru. Acquisition is NOI, DPU and NAV accretive to REIT's Unitholders

1

## Best-in-Class Asset with Multinational Occupiers

- ▶ 9.2 msf integrated office park located on ORR, Bengaluru, India's best-performing office market
- ▶ Leased to 40+ blue-chip marquee occupiers including JP Morgan, Wells Fargo, Cisco and Sony, with 88% of gross rents from multinational occupiers
- ▶ 67% of ETV's occupiers' belong to technology, financial services and e-commerce sectors

2

## Strengthens Embassy REIT's Presence in Bengaluru

- ▶ Bengaluru's office market continues to perform strongly with 7.0% vacancy and 7.9% rental CAGR<sup>(1)</sup>
- ▶ ORR is Bengaluru's largest sub-market representing 45% of Bengaluru's net absorption<sup>(1)</sup> and current vacancy of only 2%
- ▶ ETV has outperformed the Bengaluru market with a 9.2% rental CAGR<sup>(1)</sup> and demonstrated resilient performance during COVID-19

3

## Stable Cash Flows with Strong Embedded Growth

- ▶ 98.4% committed occupancy with 9.7 years WALE
- ▶ Strong growth through contractual escalations (generally 15% every 3 years) and 3.1 msf on-campus development (of which 36% is pre-leased)
- ▶ Significant MTM potential on lease expiry – market rents are ~34% above in-place rents
- ▶ ETV's office rental collections remained robust at ~99.2%<sup>(2)</sup>

4

## NOI, DPU and NAV Accretive Acquisition

- ▶ Accretive acquisition basis - purchase price is at 4.6% discount to the average of two independent valuations
- ▶ Accretion of 28% to NOI and 4.2% to DPU, increase of 3.0% in NAV per unit<sup>(3)</sup>
- ▶ No acquisition fee payable to the REIT Manager for the proposed ETV Acquisition

Notes: Actual legal entity names of the occupiers may differ from the names referred above

(1) CY2014- 3Q CY2020

(2) Average of the office rental collections for the period Apr'20 – Sep'20

(3) NOI and DPU accretion is on pro forma basis for 6-month period ending Sep'20. Increase in NAV is on a pro forma basis as of September 30, 2020

# 1 Difficult to Replicate Asset with Significant Scale

9.2 msf office park with 6.1 msf of completed office (98% committed occupancy), 3.1 msf of U/C office (36% pre-leased), 518 proposed Hilton hotel keys and a planned metro station at the park entrance



**6.1 msf**

Completed Office

**3.1 msf<sup>(1)</sup>**

U/C Office

**518 Keys**

Proposed Hilton Hotel

Note:  
(1) Comprises 2.95 msf of Commercial Office space and 0.09 msf of Retail Space

# 1 Complete Business Ecosystem

Food Court



Gymnasium



Employee Engagement



Childcare Facilities



Central Park (Planned)



Employee Transportation



Sports Facilities



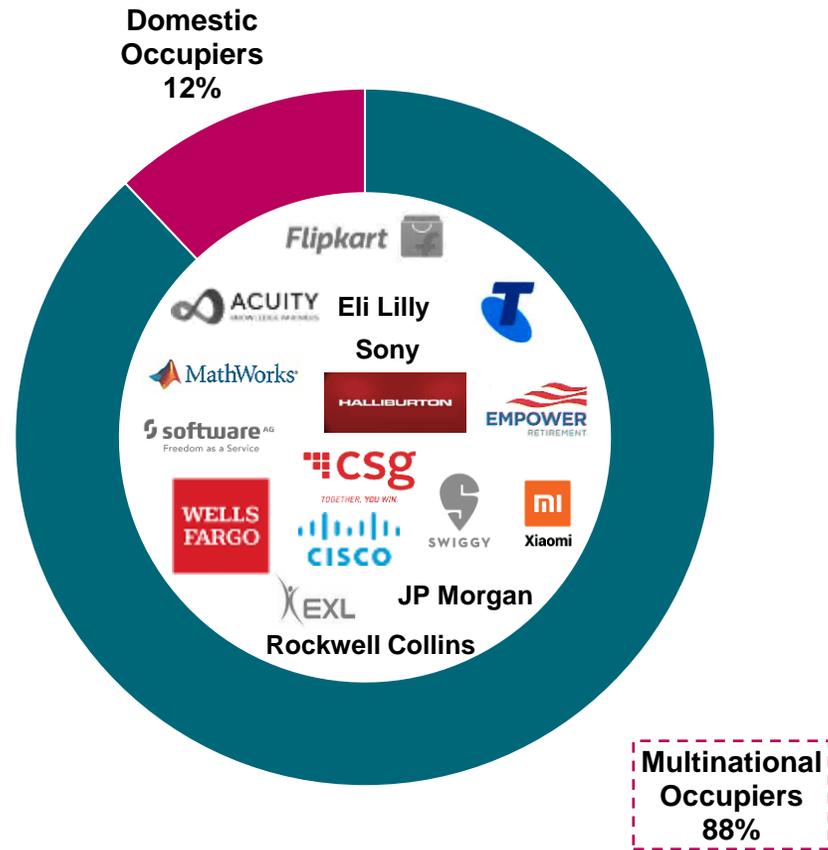
Dedicated Metro Station (Planned)



# 1 Marquee Occupier Base

ETV is occupied by high quality multinational corporates including 40+ blue-chip occupiers

## 88% Multinational Occupiers<sup>(1)</sup>



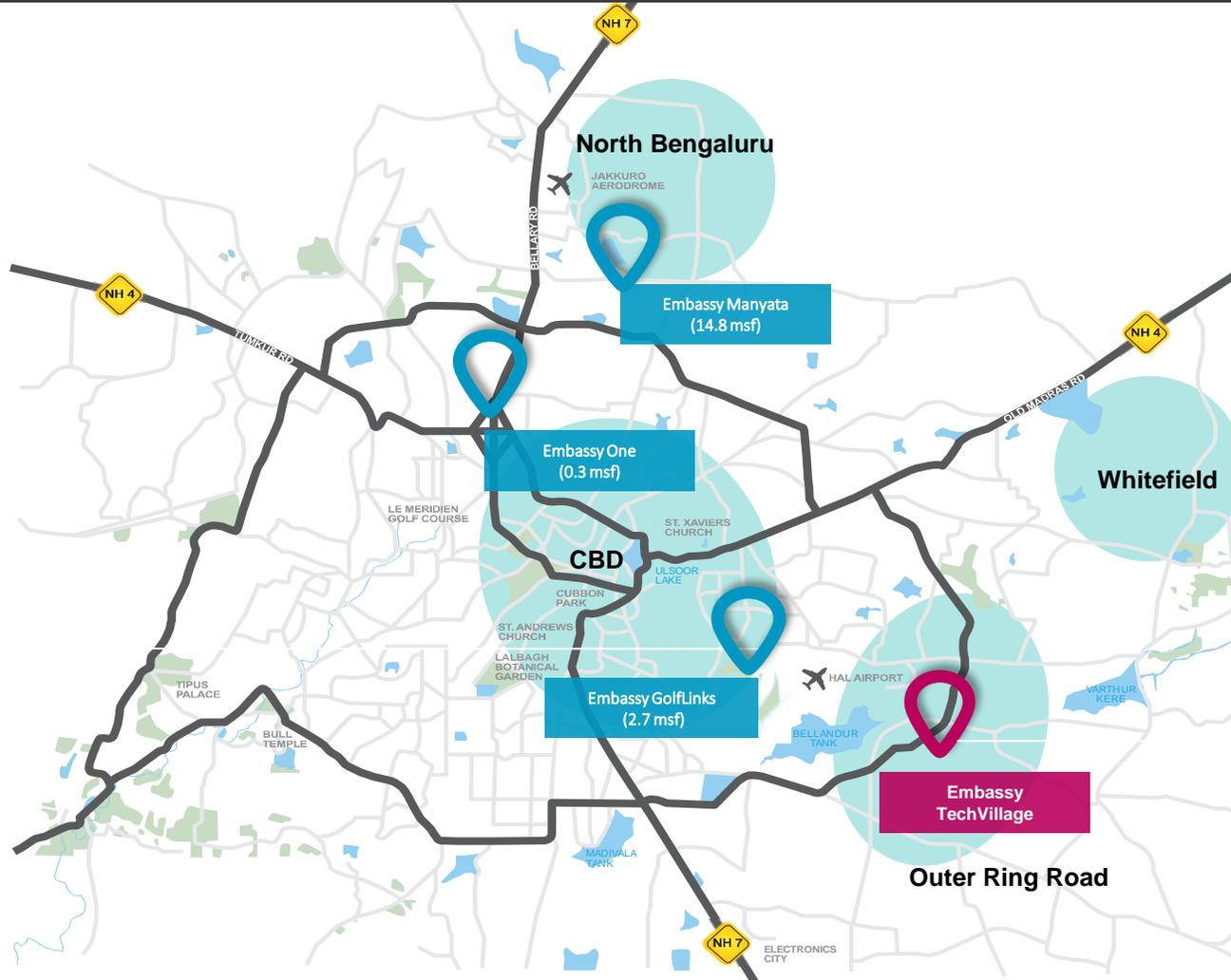
## Occupier Snapshots

- 40+** Blue-chip occupiers
- 48%** of the gross rentals from Fortune 500 companies
- 67%** occupiers from Technology, e-Commerce and Financial Services sectors<sup>(1)</sup>
- 50%** of the gross rentals from occupiers with market capitalization greater than \$60 Bn<sup>(2)</sup>

Notes: Actual legal entity names of the occupiers may differ from the names referred above  
(1) Basis Gross Rentals for Sep'20  
(2) Source: Capital IQ and Bloomberg as of October 30, 2020

## 2 Strategically Located Asset

ETV is located in ORR, India's largest and top performing sub-market. This acquisition enables Embassy REIT to establish a leading position in this key sub-market



**ETV  
(9.2 msf)**

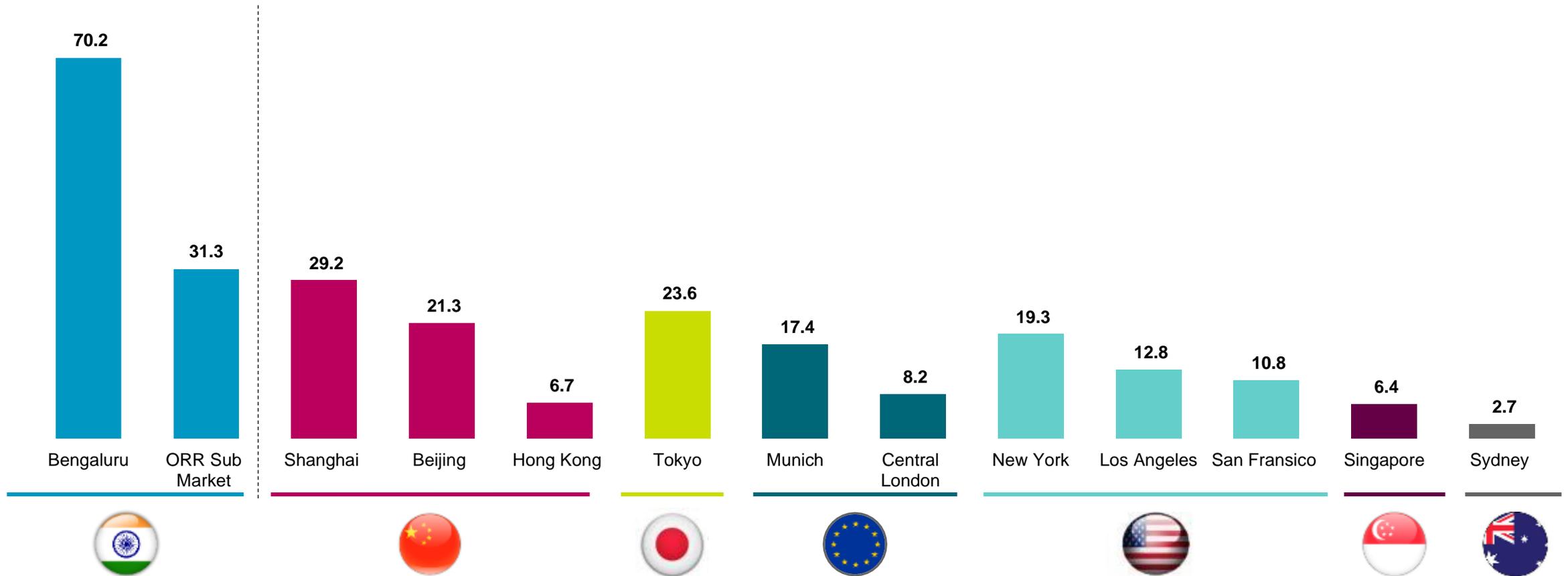
- ▶ Located in ORR, India's largest office sub-market
- ▶ ORR has low vacancy levels of 2%<sup>(1)</sup>
- ▶ Located 20 km from Embassy Manyata

 Represents Embassy REIT owned assets

## 2 Bengaluru has Witnessed Leading Office Absorption

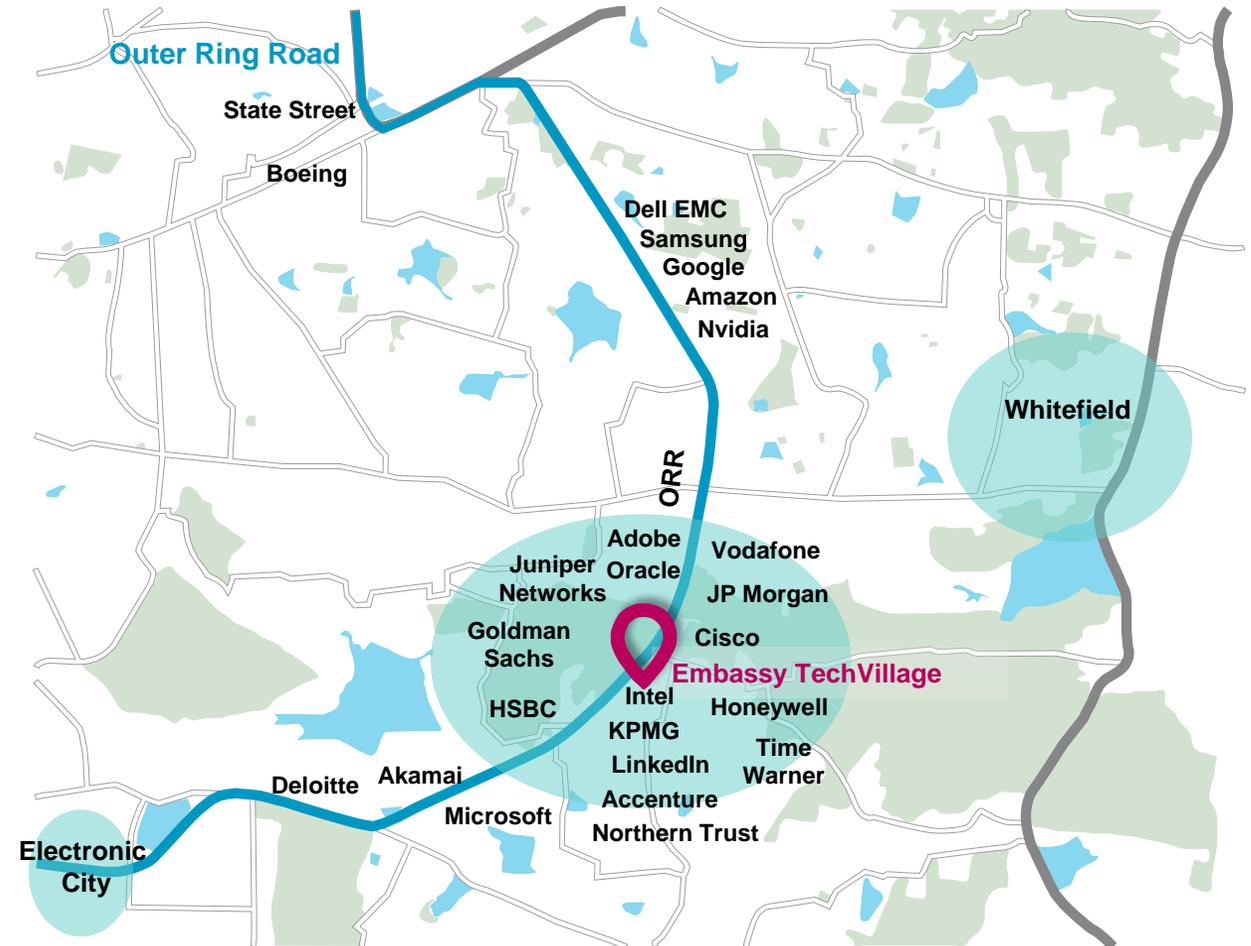
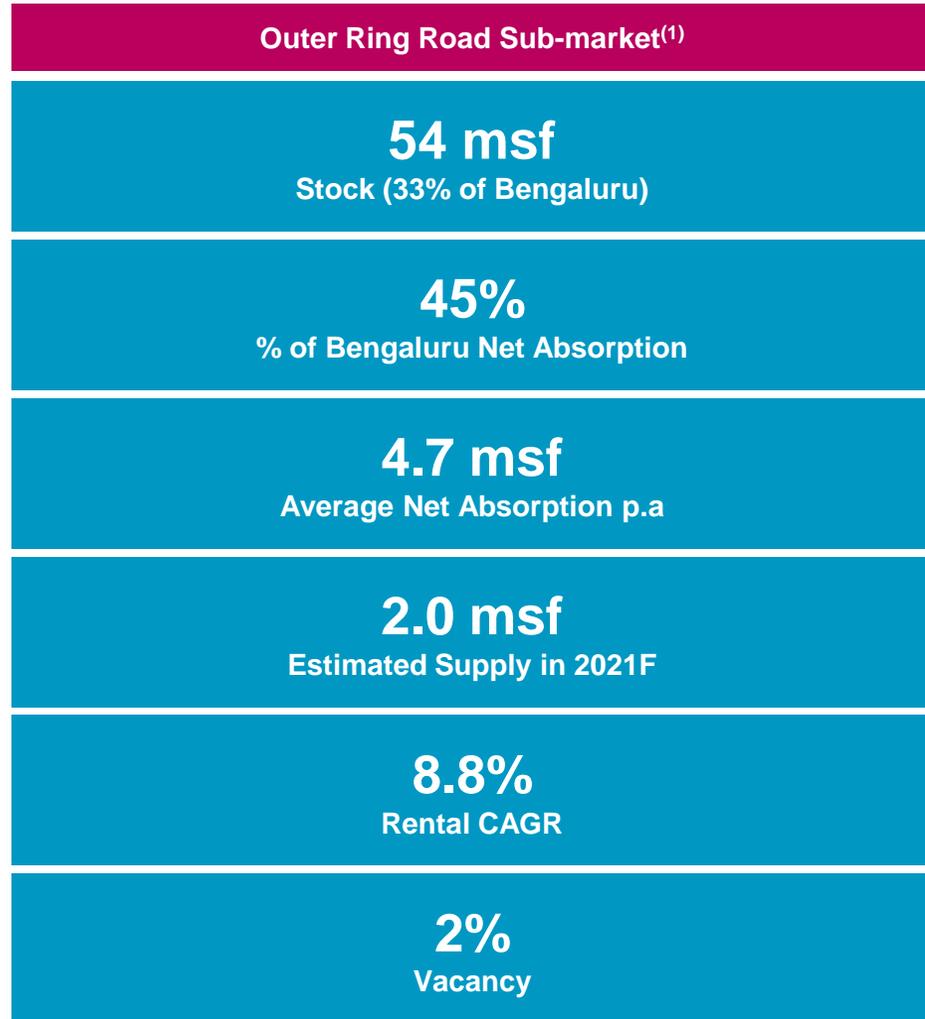
Both Bengaluru and ETV's ORR sub-market have witnessed higher cumulative absorption than 11 other global cities

Cumulative Net Absorption (msf)  
(2014 – 1H 2020)



## 2 ORR is Bengaluru's Largest and Top Performing Office Sub-Market

ORR is India's best performing sub-market and the location of choice for top multinationals such as Goldman Sachs, JP Morgan, Wells Fargo and Cisco



Source: CBRE Research 2020

Note: Actual legal entity names of the occupiers may differ from the names referred above

(1) Unless otherwise stated, all figures are for period CY2014 – 3Q CY2020 or as of 3Q CY2020, as applicable

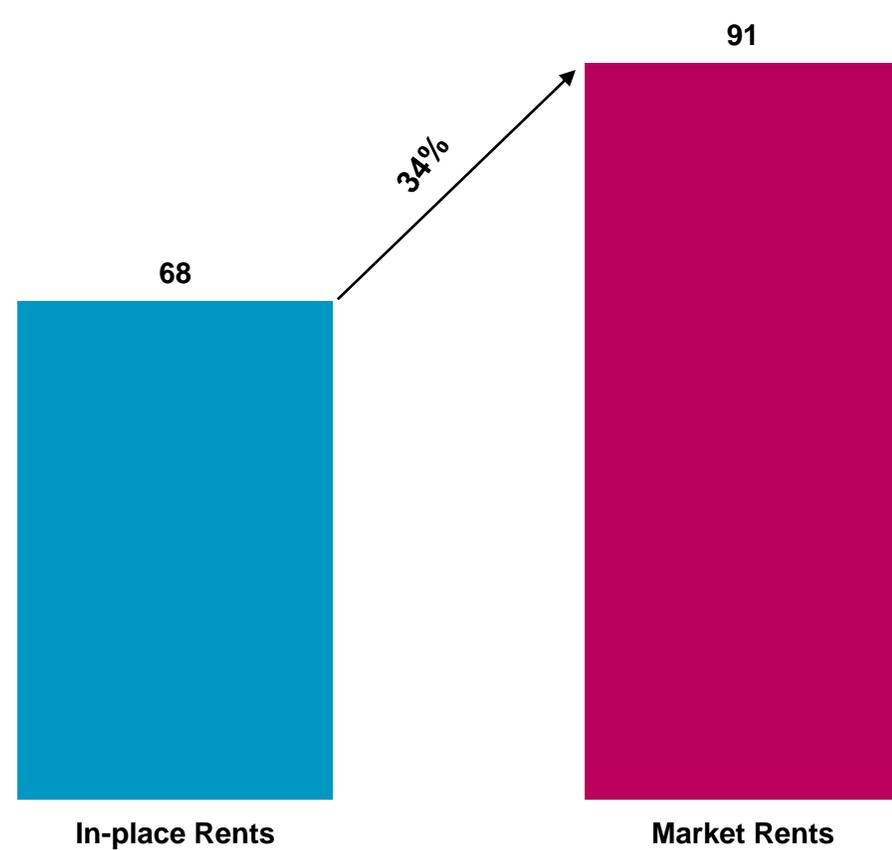
### 3 Stable Cash Flows with Strong Embedded Growth

ETV has stable and long-term cash flows with 9.7 years WALE and significant 34% MTM potential

#### Stable Cash Flows



#### Market Rents are ~34% Above In-place Rents (₹ psf / month)



Source: CBRE Research, 2020

Notes:

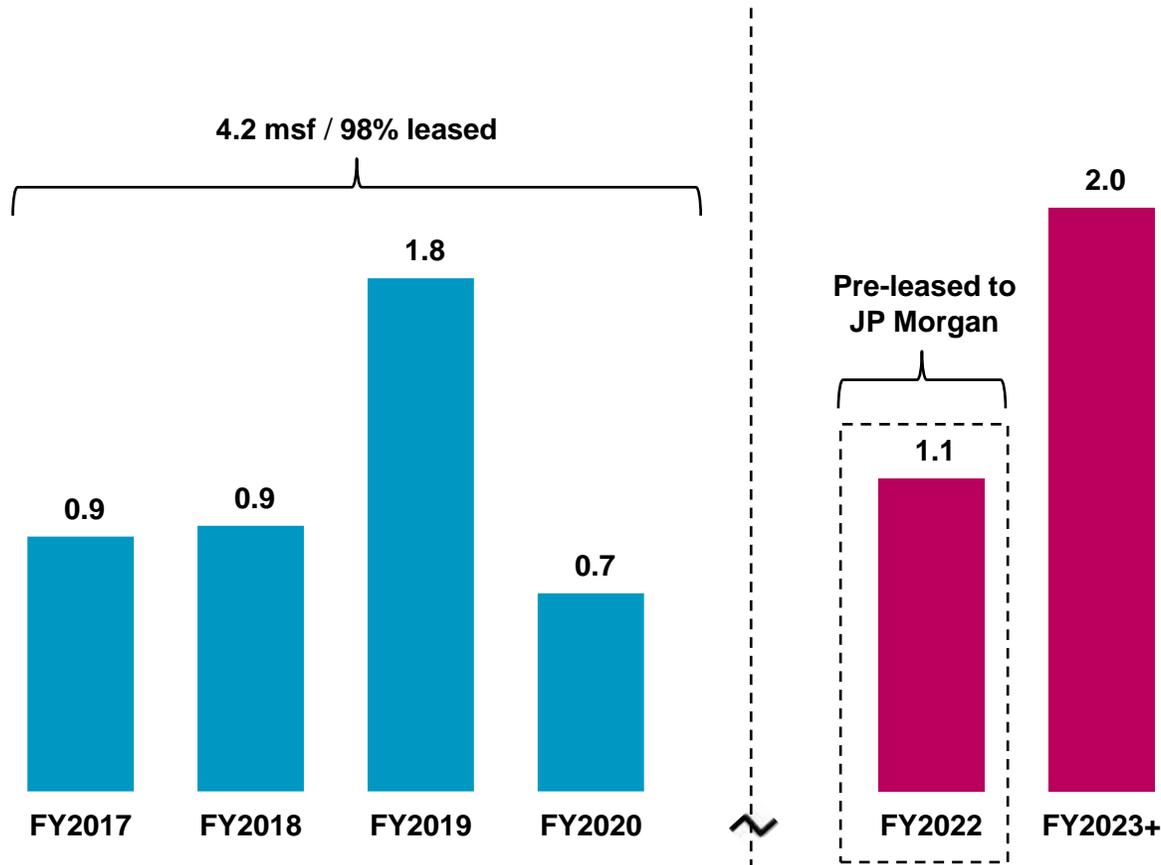
(1) For Completed Area. Committed occupancy as of Sep'20

(2) Weighted Average Lease Expiry calculated assuming occupiers exercise all their renewal options post expiry of their initial commitment period as per terms of lease contract

### 3 Strong Growth Potential from On-campus Development

ETV has strong growth potential from its 3.1 msf of on-campus development (36% pre-leased) given ORR sub-market has only 2% vacancy and constrained supply

**On-campus Development Driving Strong Growth**  
(Office area: msf)



**De-Risked Development**  
(36% Pre-Leased)



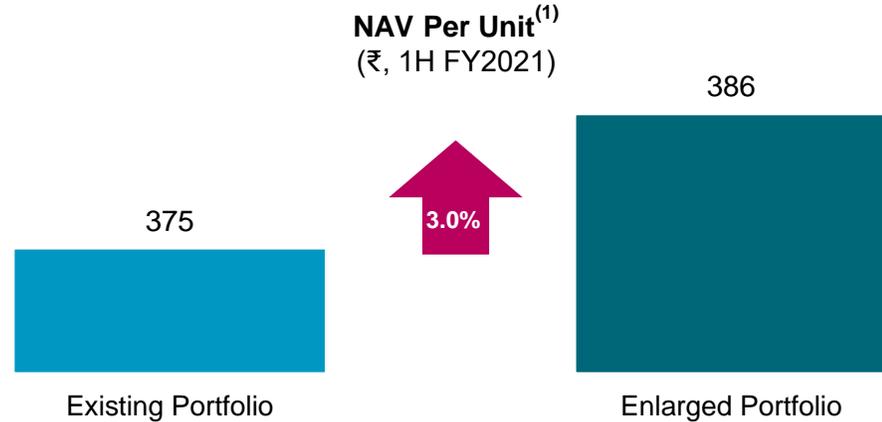
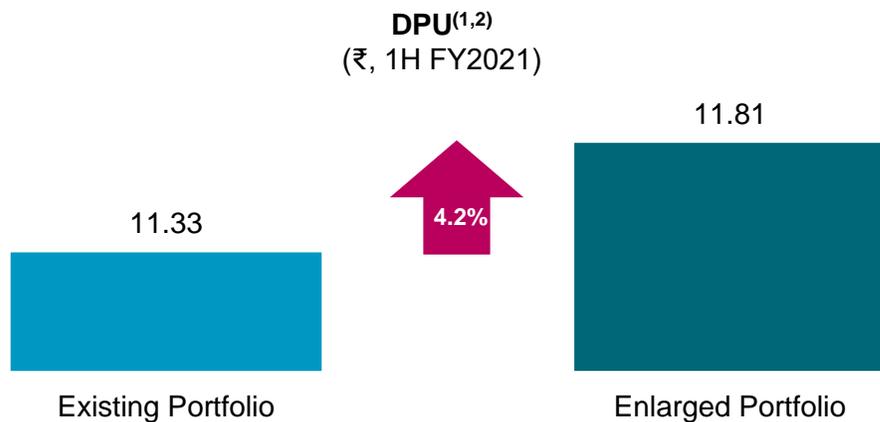
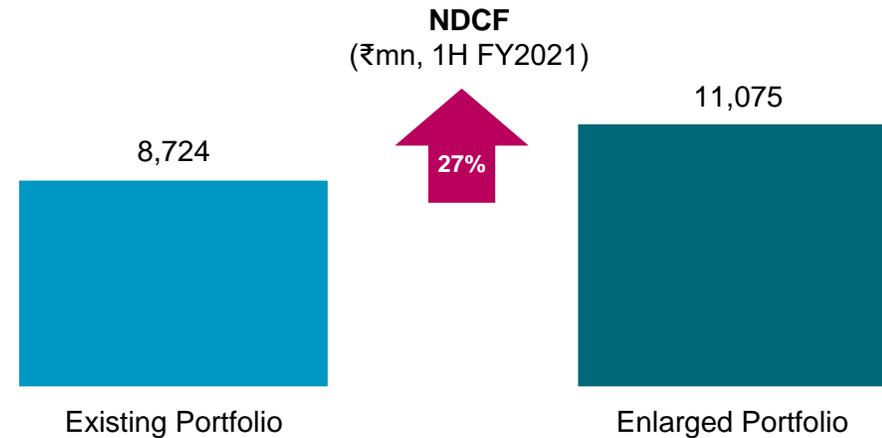
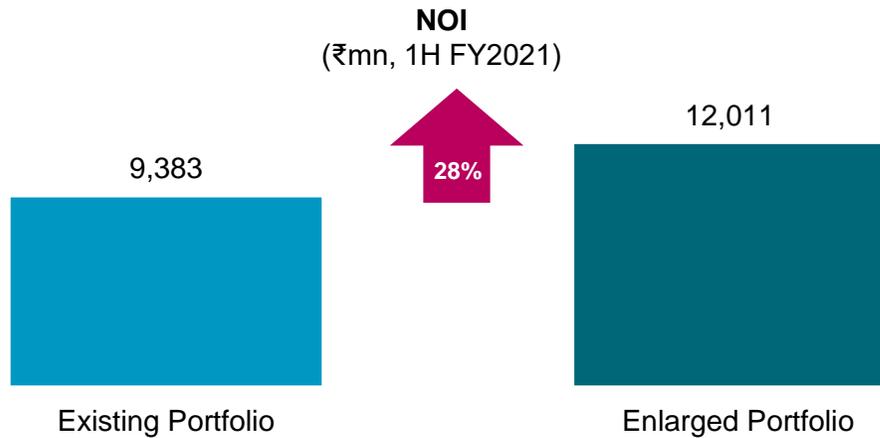
**JP Morgan Built-to-Suit | 1.1 msf**

**100%**  
**Pre-Leased**

(2Q FY2022 estimated completion)

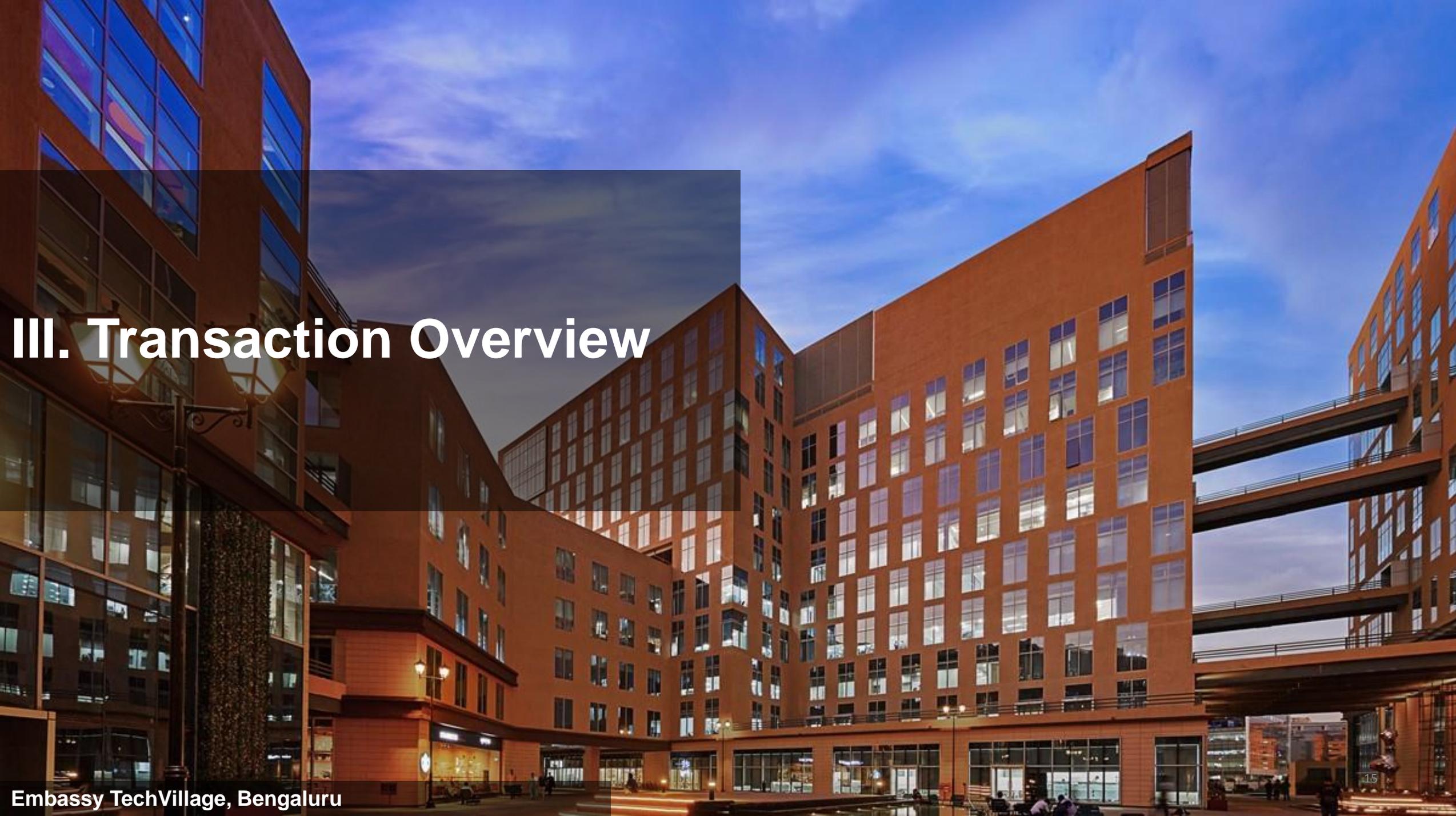
## 4 Accretive Acquisition Across Key Metrics

ETV Acquisition is accretive for Unitholders across key metrics including NOI, DPU and NAV per unit



Notes:

- (1) Representative of the base case financing plan. The structure and timing of the Institutional Placement has not been determined yet. The size of Institutional Placement and Issue Price per unit may differ from the Issue Price of new units assumed herein. The size of Preferential Issue may differ depending on the closing adjustments.
- (2) Assumes Preferential Allotment of ₹ 356.7 per unit for ₹ 23,072 mn units issued to Third-party Shareholders and Institutional Placement price of ₹356.7 per unit for ₹37,000 mn
- (3) DPU accretion includes pro-rata rental support on 1.1 msf and assumes ₹ 36,411 mn debt re-financed at 7.25% per annum cost with quarterly payments with no amortization
- (4) 1H FY2021 financials for Embassy REIT based on limited review by auditor. 1H FY2021 pro forma numbers are unaudited

A photograph of the Embassy TechVillage in Bengaluru, India, during the "blue hour" of dusk. The image shows a modern, multi-story office building with a warm, terracotta-colored facade and a grid of windows. Many windows are illuminated from within, casting a warm glow. The sky is a deep, dark blue with some light clouds. In the foreground, there's a courtyard area with some people and a fountain. The overall atmosphere is modern and vibrant.

# III. Transaction Overview

## Transaction Overview

**ETV Acquisition is at a purchase price of ₹97,824 mn (\$1,322 mn) implying Trailing NOI Yield of 7.5% on completed portion**

### Purchase Price (Enterprise Value)<sup>(1)</sup> and GAV<sup>(2)</sup>

- ▶ Purchase Price (Enterprise Value) of ₹97,824 mn (\$1,322 mn)
  - Implies 4.6% discount to average of two independent valuations (₹102,555 mn)
  - Implies Trailing NOI Yield<sup>(3)</sup> of 7.5% on completed portion

### Financing<sup>(4)</sup>

- ▶ Transaction proposed to be financed through mix of equity and debt financing
- ▶ Indicative financing plan:
  - Institutional Placement: ₹37,000 mn (\$500 mn)
  - Preferential Allotment: ₹23,072 mn (\$312 mn) – relates to ~65 mn units to be issued to Third-party Shareholders at ₹356.70 per unit
  - Debt Refinancing: Upto ₹36,411 mn (\$492 mn)

### Approvals Required and Timing

- ▶ Approval of simple majority of unrelated Unitholders for undertaking ETV Acquisition
  - Embassy Sponsor, Blackstone Sponsor Group to abstain from voting on ETV Acquisition
- ▶ Approval of at least 60% of Unitholders entitled to and voting for both the Institutional Placement and the Preferential Allotment
- ▶ Extraordinary Meeting on December 10, 2020; Institutional Placement and Preferential Allotment to happen post Extraordinary Meeting

Notes:

(1) Embassy Sponsor will provide rental support to SIPL of ₹1,441 million until the quarter ending March 31, 2022

(2) GAV based on average of the two independent valuation reports

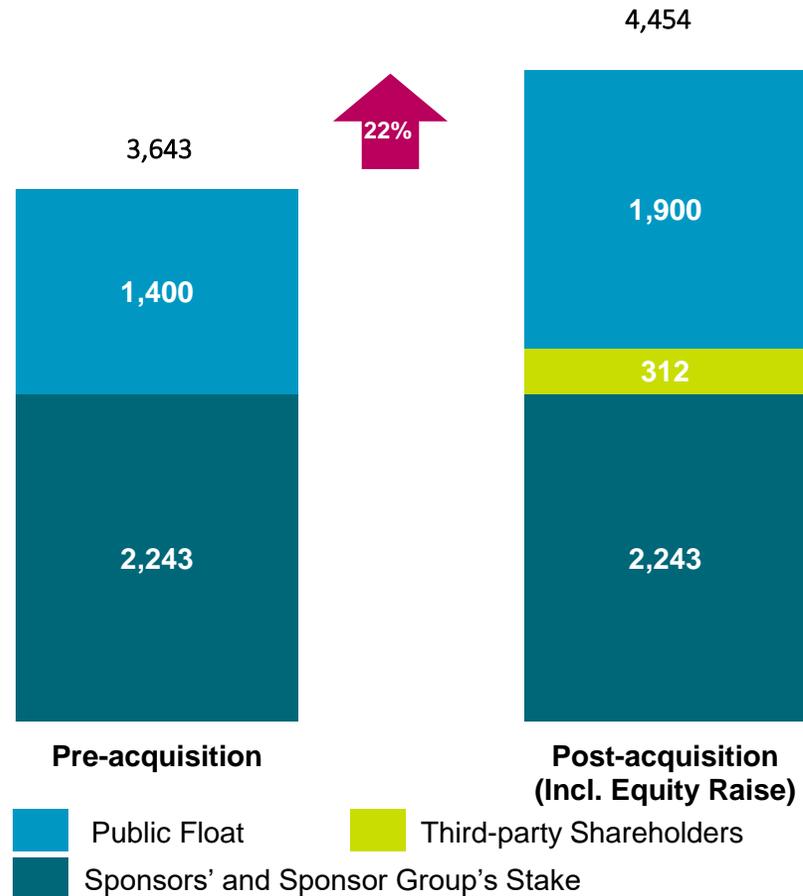
(3) Purchase Price Trailing NOI Yield calculated as ratio of annualized 1H FY2021 NOI of ETV divided by Purchase Price of ₹87,000 mn multiplied by percentage of completed portion of GAV of ETV including the associated CAM business (as per Independent valuation undertaken by iVAS Partners, represented by Mr Manish Gupta (independent valuer of the Embassy REIT) with value assessment services provided by CBRE South Asia Private Limited.)

(4) Net acquisition cost of ₹96,483 mn after adjusting for security deposits and other balance sheet items. Net Acquisition Cost = Purchase Price (Enterprise Value) – Security Deposits + Transaction Expenses + Other Adjustments

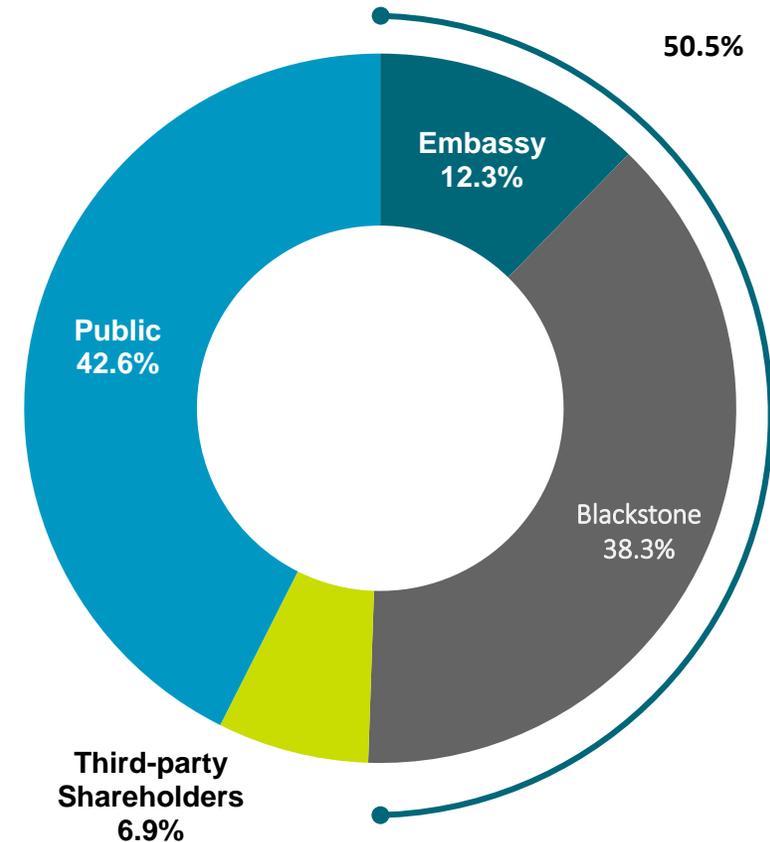
## Increase in REIT's Size and Public Float

Proposed Acquisition and Financing plan increases REIT market capitalization by 22% and public float from 38% to 43%

Illustrative Market Capitalisation of REIT (\$ mn)<sup>(1)</sup>



Post-Acquisition Unitholding<sup>(1,2,3)</sup>



Notes:

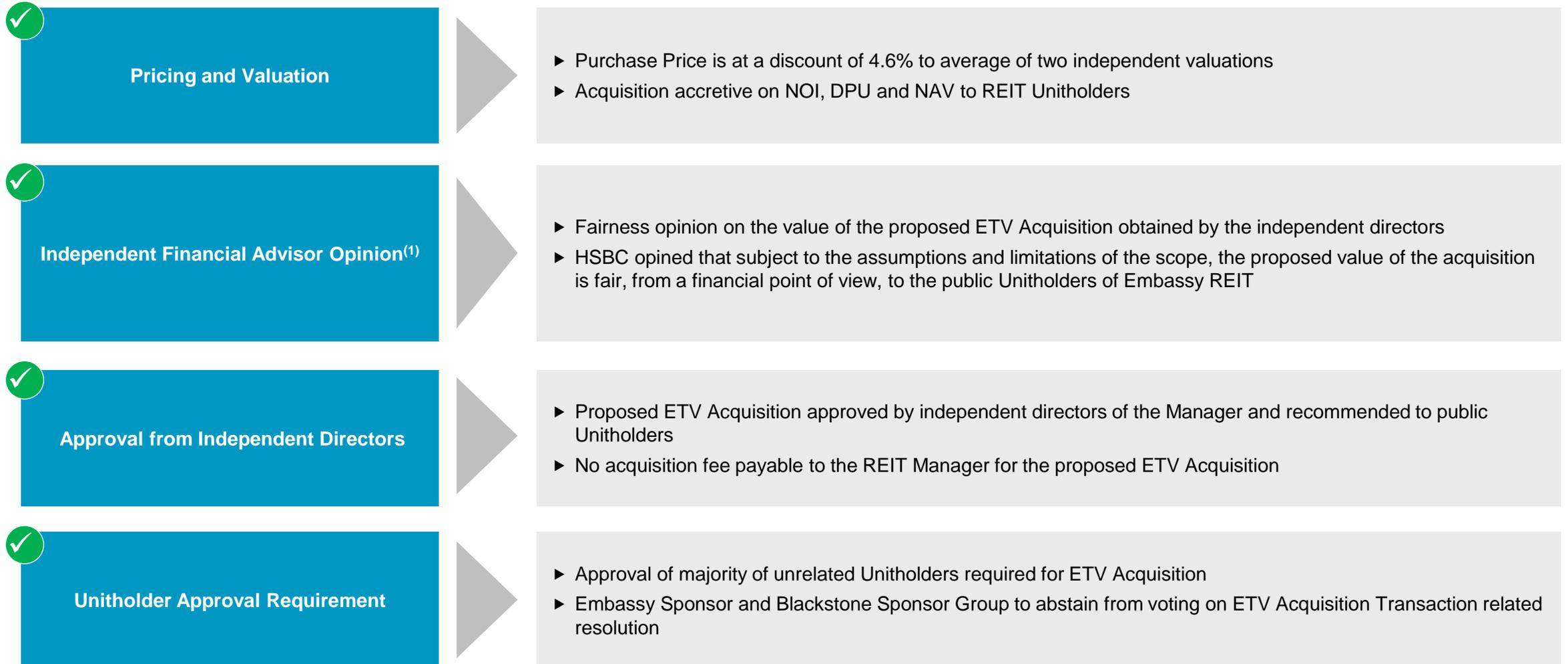
(1) Assuming an Institutional Placement aggregating to ₹ 37,000 mn and a preferential allotment to the Third-party Shareholders aggregating to ₹23,072 mn. Market capitalization computed as Units outstanding as of September 30, 2020 X Volume Weighted Average Price: ₹349.32. VWAP computed basis BSE (exchange with highest trading volume for last 26 weeks) data for last 30 trading days up to November 11, 2020 (the date of intimation to Stock Exchanges for the board meeting scheduled for November 17, 2020). Pre-Acquisition public float is based on unitholding pattern as of September 30, 2020. Post-Acquisition public float does not include units issued to the Third-party Shareholders which shall be subject to a regulatory lock-in of 1 year from the date of trading approval.

(2) The market value of the units and the market capitalisation of the REIT may fluctuate due to multiple reasons and the price of units and the market capitalisation indicated above may not be indicative of any future trading price or market capitalisation.

(3) Based on unitholding pattern as of September 30, 2020; % rounded up to nearest decimal place. Sum of unitholding % may not add up to 100% due to rounding up.

## Governance Related to the ETV Acquisition

### Governance framework in line with leading global practices



Note:

(1) HSBC (HSBC Securities and Capital Markets (India) Private Limited) and its affiliates have provided various services (including financing through its affiliates), to the Embassy REIT, the targets and their respective affiliates, and may continue to provide such services in the future

# Embassy Office Parks REIT



**WHERE  
THE WORLD  
COMES TO WORK**

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