

## Site visit to Siloam Hospitals

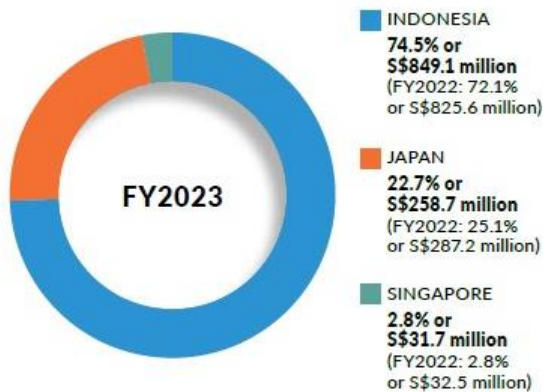
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- First REIT aims to become Asia's premier healthcare trust, with more than 50% of Assets under Management in developed markets by FY27. This strategy involves acquiring new properties in developed markets while strategically divesting non-core or mature assets in Indonesia. Additionally, First REIT is well-positioned to benefit from strong demographic tailwinds, including the growing ageing populations in Singapore and Japan, as well as Indonesia's expanding population, all of which will drive demand and revenue for its healthcare properties.
- We visited First REIT owned properties during our trip to Jakarta in March. These properties are being master leased to the Siloam Group.

- **Siloam Hospitals Kebon Jeruk:** Cardiology, Emergency & Trauma, Orthopaedics, Urology
- **Siloam Hospitals Lippo Village:** Cardiology, Emergency & Trauma, Neuroscience, Orthopaedics

**Financial highlights and analysis.** In 2H23, First REIT faced a 5.1% YoY decline in revenue and other income, which was attributed to the depreciation of the Indonesian Rupiah and Japanese Yen against the Singapore Dollar. For FY23, the decrease in rental and other income was lesser due to being partially offset by the Japanese properties that were acquired in March and September 2022. Its net property and other income also fell by 3.0% YoY mainly due to the full-year property expenses incurred for its Japan properties.

Figure 1: Asset under management breakdown by geography (as of 31 December 2023)



Source: Company

**Company background.** First Real Estate Investment Trust (the Trust) is a Singapore-based healthcare real estate investment trust (REIT). The Trust is focused on investing in healthcare and healthcare-related real-estate assets throughout Asia. The primary objective is to deliver regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit. The Trust has a diversified asset portfolio of 32 properties located in Indonesia, Singapore, and Japan, with a total asset value of S\$1.14bn and 25.5% of its portfolio in developed markets. Its main properties include nursing homes and hospitals.

**Site visit.** We visited 4 Siloam hospitals located in Jakarta, Indonesia, across the span of 2 days. The hospitals specialise in various areas:

- **Siloam Hospitals TB Simatupang:** Cardiology, Emergency & Trauma, Neuroscience, Oncology
- **Mochtar Riady Comprehensive Cancer Centre (MRCCC):** Emergency & Trauma, Gastroenterology, Oncology

There was a slight decline in FY23 dividends due to the higher finance costs as well as the exchange rate differences. The unit base also increased after the issuance of 431.1mn units in March 2022 to partially fund the acquisition of 12 nursing homes in Japan. Hence DPU fell 6.1% YoY from S\$0.0264 in FY22 to S\$0.0248 in FY23.

Figure 2: Key financial highlights

| (S\$ '000)                           | 2H22    | 2H23    | YoY change |
|--------------------------------------|---------|---------|------------|
| Rental and other income              | 57,488  | 54,579  | (5.1%)     |
| Net property and other income        | 55,835  | 52,905  | (5.2%)     |
| Distributable amount                 | 27,146  | 25,912  | (4.5%)     |
| Total issued and issuable units (mn) | 2,063.6 | 2,081.5 | 0.9%       |
| Distribution per unit (cts)          | 1.32    | 1.24    | (6.1%)     |

| (S\$ '000)                           | FY22    | FY23    | YoY change |
|--------------------------------------|---------|---------|------------|
| Rental and other income              | 111,275 | 108,568 | (2.4%)     |
| Net property and other income        | 108,559 | 105,334 | (3.0%)     |
| Distributable amount                 | 52,400  | 51,423  | (1.9%)     |
| Total issued and issuable units (mn) | 2,063.6 | 2,081.5 | 0.9%       |
| Distribution per unit (cts)          | 2.64    | 2.48    | (6.1%)     |

Source: Company, KGI research

As of 31 December 2023, First REITs market cap was S\$550.4mn with 2,076.9mn units outstanding. The company distributes dividends quarterly, with a distribution yield of 9.4% at the time and aims to continue to distribute stable cash dividends amounting to at least 90% of taxable income. Additionally, the P/B ratio was 0.88x. The company boasts a high proportion, 87.2%, of debt on fixed rates or hedged and a healthy gearing ratio of 38.7%, with no refinancing required until May 2026. Additionally, the company benefits from a resilient healthcare portfolio with a long average lease expiry (WALE) of 11.5 years and built-in rent escalations in Indonesia hospitals and Singapore nursing homes.

The Indonesia portfolio comprised of 14 hospitals in Indonesia is delivering stable and sustainable rental income with a base

rent escalation measured at the higher of 4.5% or the performance-based rent increment of 8.0%. Performance-based rent takes effect whenever the hospitals achieve strong financial performance. This metric is calculated based on 8.0% of the hospital’s preceding financial year hospital gross operating revenue. To date, 3 hospitals in Indonesia have contributed performance-based rent starting 4Q23.

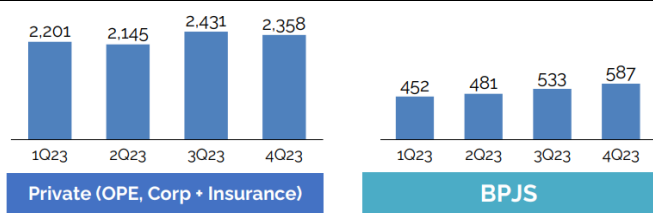
**Siloam background.** PT Siloam International Hospitals Tbk, listed on the Indonesian Stock Exchange (SILO IDX), (“Siloam Hospitals”) is a network of private hospitals in Indonesia committed to providing high quality health services in Indonesia. Starting business in 1996, Siloam Hospitals currently manages and operates 41 hospitals, consisting of 15 hospitals in the Greater Jakarta area and 26 hospitals spread across the islands of Java, Sumatra, Kalimantan, Sulawesi, Bali, Nusa Tenggara and Ambon. Siloam Hospitals Group also operates 72 Siloam Clinics.

Of the 41 hospitals managed and operated by Siloam Hospitals, 20 of them are leased out by First REIT. Siloam is not only the largest private healthcare service provider in Indonesia, covering over 65% of provinces and serving 50% of the population, it is also one of the fastest-growing hospitals across Indonesia. In Indonesia, Siloam remains the leader in cardiology, oncology, neurology, gastro, orthopaedics and uro-nephrology. Its hospitals are specifically segregated by customer type and clinical specialties. These classifications are:

- 1. Premium Hospitals:** Private specialist and generalist hospitals for patients who are wealthier and prefer a more premium service and shorter wait times.
- 2. Value Seeker Hospitals:** Affordable private healthcare solutions for the middle class seeking general services.
- 3. BPJS Play Hospitals:** Focuses mainly on BPJS (Indonesia’s mandatory health insurance program) patients who are in the lower income segment that cannot afford/do not have private insurance with a narrower range of services.

Siloam boasts 18 embassy partners and over 5,000 corporate and insurance partners, leveraging these partnerships to contribute to its business growth. In FY23 its private patient’s revenue contribution maintained above 80% of total revenue.

Figure 3: FY23 segmented revenue contribution in IDR bn



Source: Siloam Hospital

Indonesia rolled out the Jaminan Kesehatan Nasional (JKN) insurance under BPJS Kesehatan in 2014 to provide universal health coverage for its people. It covers over 95% of the

population (more than 267mn people), making JKN the world’s largest single-payer health insurance system. A multi-layered contribution system funds this expansive program. The government prioritizes the most vulnerable by covering the poor, low-income families, and retired government employees (around 54% of JKN members). Social contributions from workers, jointly paid by employers and employees, account for another 20% of the program’s funding. Finally, those working informally or who are self-employed can register and pay independently, making up the remaining 26%. This comprehensive approach ensures JKN fulfills Indonesia’s goal of achieving universal health coverage.

Figure 4: PET CT machine located in MRCC Siloam Hospitals.



\*Only 4 PET CT machines in Indonesia, 2 of which belong to Siloam Hospitals.

Source: KGI Research

Figure 5: Anti-Gravity Locomotion Simulator in the Physio and Rehab Centre in Siloam Hospitals Kebon Jeruk

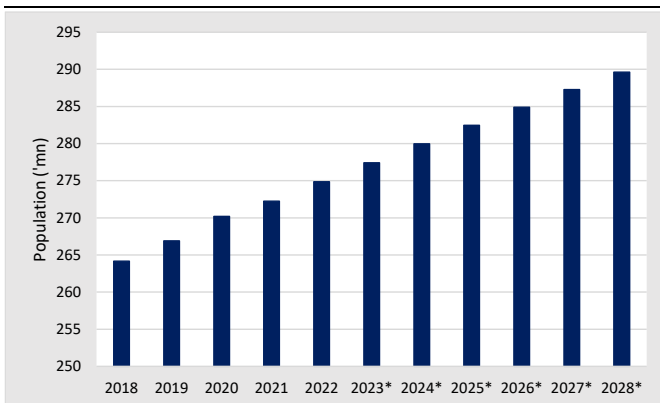


\* Simulator to help patients simulate walking in anti-gravity

Source: KGI Research

**Market outlook.** The Indonesian hospital market presents a highly attractive opportunity with significant room for growth. Fueled by a rising population (projected to reach 286mn by 2027 from 274mn in 2021), the market faces an increasing demand for healthcare services due to a higher prevalence of chronic diseases like stroke, coronary heart disease, and diabetes. This growing demand coincides with an expanding middle-income class (projected to reach 47% of the population by 2027 from 33% in 2021) and an expanding health insurance landscape (expected to have 16mn people covered by private insurers by 2027, compared to 10mn in 2021). These factors combined to position the Indonesian Hospital market for a major transformation in the coming years.

**Figure 6: Indonesia’s projected total population growth till 2028**



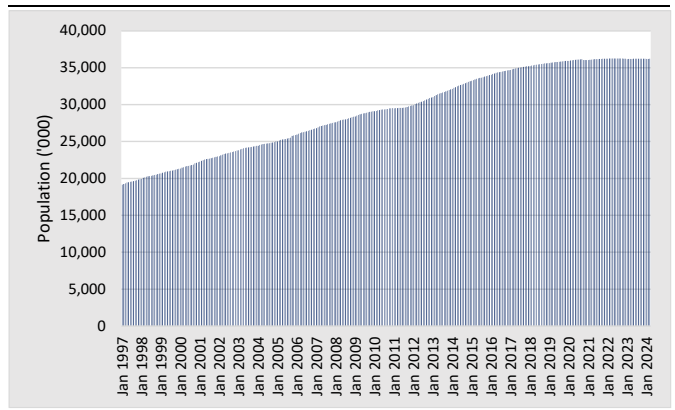
\*Estimates

Source: Statista, KGI Research

Indonesia's parliament approved new healthcare reforms to attract foreign doctors and improve services, despite protests from medical workers. The reforms allow foreign doctors to practice more easily, addressing a doctor shortage, and empowering patients to sue for malpractice. However, medical professionals fear these changes weaken their protections and public health funding, as the mandatory 5% healthcare budget allocation is removed. The government argues the reforms will transform the healthcare system and allow for more targeted spending.

According to the World Economic Forum, as of September 2023, Japan faces a unique challenge as the world's oldest population. With over 10% of its population exceeding 80 years old, the country grapples with the need for innovation in workforce development, healthcare solutions, and social policies to navigate this demographic shift. First REIT's investment in Japan's nursing home is well-timed, allowing them to leverage on the ageing population that is expected to continue to grow in the long run.

**Figure 7: Ageing population (65 years and older) of Japan from 1997 to 2024**

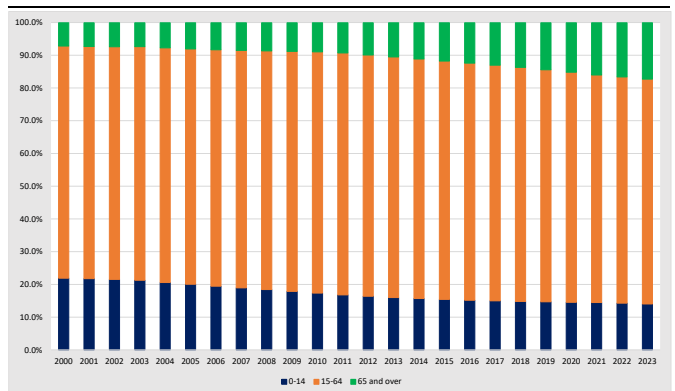


Source: Statistics Bureau of Japan, KGI Research

Recently, the Bank of Japan (BOJ) ended the era of negative interest rates, raising its key rate for the first time in over 17 years. This decision comes after both consumer prices and wages have risen in Japan. The BOJ hopes this will stimulate the economy and keep inflation under control. Notably, this marks the first time a country has raised rates after previously implementing negative rates. The move follows rising wages and inflation reaching the BOJ's target of 2%. This may help to gradually lead to a stronger Japanese Yen.

Singapore's social spending has nearly doubled in a decade, with healthcare taking the top spot from education. This rise is expected to continue due to the ageing population's growing healthcare needs. Experts suggest a focus on preventive healthcare to manage costs and support longer lifespans. While education spending is also expected to rise, the focus is shifting towards lifelong learning for adults. Additionally, social safety nets and support for lower-income families and those facing involuntary unemployment are likely to see continued investment. Finally, addressing work-life balance and employer expectations could be crucial in encouraging younger adults to have children.

**Figure 8: Singapore’s demographic structure from 2000 to 2023**

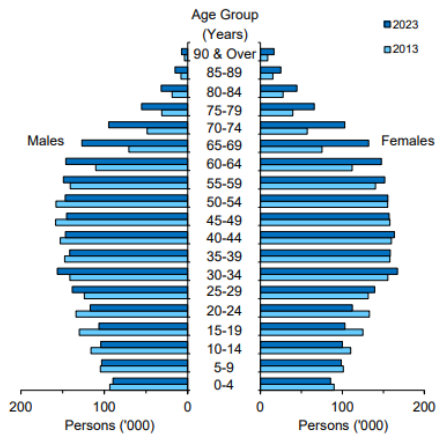


Source: Department of Statistics Singapore, KGI Research

As shown below, a significant proportion of those fall within the 65 and above age group, and it also shows an increase in the number of persons falling into the age group compared to ten years ago. This will benefit First REIT as there will

ultimately be more demand for its nursing homes located in Singapore given the incline in the aging population.

**Figure 9: FY13 vs FY23 age pyramid of Singapore residents**



Source: Department of Statistics Singapore (population trends)

### Company outlook

In the near term, First REIT's income will remain stable without further acquisitions. However, the long-term outlook is promising. As it continues to expand its portfolio of healthcare facilities in developed nations, such as Japan and Singapore with ageing populations, and Indonesia, with a growing middle class and overall population, First REIT is well-positioned to benefit from these demographic trends.

### Key Risks:

1. Rental incomes from Indonesia and Japan are denominated in Indonesian Rupiah and Japanese Yen respectively. Should the value of these currencies continue to weaken against the Singapore Dollar, the value of First REITs revenue will be negatively impacted by exchange rate factors.
2. A large portion of First REIT's income comes from Siloam Hospitals, which could be risky if Siloam runs into financial difficulties. While the parent company of both REIT and hospitals is the same (Lippo Karawaci), there's still a chance that Siloam's problems could affect rental payments.
3. Rising interest rates and interest rates remaining higher for longer could increase First REIT's borrowing costs, impacting profitability. Inflation impact results in high material costs
4. The healthcare and REIT sectors in Indonesia are becoming increasingly competitive. New entrants could put pressure on rental rates and occupancy rates.
5. Changes in government regulations related to healthcare or REITs could affect First REIT's business model or profitability.

## Appendix

Figure 10: Angiography Room in Siloam Hospitals TB Simatupang



Source: KGI Research

Figure 13: Digital registration kiosk located around Siloam Hospitals



Source: KGI Research

Figure 11: A VIP room in MRCCC Siloam Hospitals



Source: KGI Research

Figure 14: Department of Neurosurgery in Siloam Hospitals Lippo Village



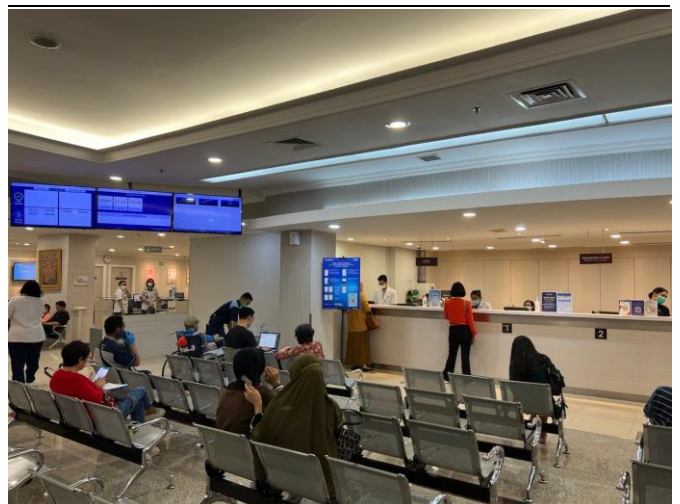
Source: KGI Research

Figure 12: Payment area of Siloam Hospitals Lippo Village



Source: KGI Research

Figure 15: Pharmacy and registration area in Siloam Hospitals Kebon Jeruk



Source: KGI Research

## Properties owned by First REIT as of 31 December 2022

| Location                        | Property                               | Tenant   | Annual rental   | Rooms / beds <sup>^</sup> | Gross floor area (sqm) | Appraised value |                      | Lease term (yrs) | Lease expiry date |             |
|---------------------------------|--|--|---|---------------------------|------------------------|-----------------|----------------------|------------------|-------------------|-------------|
|                                 |  |  | FY22 (SGD 'mn)  |                           |                        | (SGD 'mn)       | (JPY 'mn)/(IDR 'mn)* |                  |                   |             |
| Japan                           | <b>Nursing home</b>                    |  |   |                           |                        |                 |                      |                  |                   |             |
|                                 | 1                                      | Hikari Heights Varus Ishiyama                      | Hikari Heights Varus Co., Ltd.  | 0.6                       | 117                    | 8,747           | 8.6                  | 847              | 30 + 5            | 24 Apr 2043 |
|                                 | 2                                      | Hikari Heights Varus Tsukisamu-Koen                | Hikari Heights Varus Co., Ltd.  | 0.4                       | 58                     | 4,362           | 6.8                  | 662              | 30 + 5            | 24 Apr 2043 |
|                                 | 3                                      | Hikari Heights Varus Fujino                        | Hikari Heights Varus Co., Ltd.  | 0.9                       | 139                    | 9,782           | 17.2                 | 1,690            | 30 + 5            | 24 Apr 2043 |
|                                 | 4                                      | Hikari Heights Varus Kotoni                        | Hikari Heights Varus Co., Ltd.  | 3.0                       | 281                    | 20,756          | 67.7                 | 6,640            | 30 + 5            | 24 Apr 2043 |
|                                 | 5                                      | Hikari Heights Varus Makomanai-Koen                | Hikari Heights Varus Co., Ltd.  | 2.1                       | 161                    | 13,301          | 48.9                 | 4,790            | 30 + 5            | 24 Apr 2043 |
|                                 | 6                                      | Varus Cuore Yamanote                               | Hikari Heights Varus Co., Ltd.  | 0.5                       | 59                     | 2,808           | 11.5                 | 1,130            | 30 + 5            | 24 Apr 2043 |
|                                 | 7                                      | Varus Cuore Sapporo-Kita & Annex                   | Hikari Heights Varus Co., Ltd.  | 1.4                       | 216                    | 7,637           | 30.7                 | 3,010            | 30 + 5            | 24 Apr 2043 |
|                                 | 8                                      | Elyision Gakuenmae                                 | Safety Life Co., Ltd.   | 0.8                       | 92                     | 3,790           | 16.9                 | 1,660            | 30 + 5            | 24 Apr 2043 |
|                                 | 9                                      | Elyision Mamigaoka & Annex                         | Safety Life Co., Ltd.   | 1.2                       | 160                    | 10,259          | 24.5                 | 2,400            | 30 + 5            | 24 Apr 2043 |
|                                 | 10                                     | Orchard Amanohashidate                             | Orchard Care Co., Ltd.  | 0.5                       | 60                     | 2,927           | 9.2                  | 900              | 30 + 5            | 24 Apr 2043 |
|                                 | 11                                     | Orchard Kaichi North                               | Orchard Care Co., Ltd.  | 0.7                       | 79                     | 5,058           | 13.7                 | 1,340            | 30 + 5            | 24 Apr 2043 |
|                                 | 12                                     | Orchard Kaichi West                                | Orchard Care Co., Ltd.  | 0.3                       | 29                     | 1,561           | 4.3                  | 424              | 30 + 5            | 24 Apr 2043 |
|                                 | 13                                     | Loyal Residence Ayase                              | Social Welfare Research Institute Co., Ltd.                             | 0.2                       | 80                     | 3,387           | 11.6                 | 1,140            | 30                | 30 Sep 2043 |
|                                 | 14                                     | Medical Rehabilitation Home Bon Séjour Komaki      | Benesse Style Care Co., Ltd.  | 0.2                       | 124                    | 8,858           | 15.6                 | 1,530            | 20 + 5            | 21 May 2027 |
|                                 | <b>Total</b>                           |  |   | <b>12.8</b>               | <b>1,655</b>           | <b>103,233</b>  | <b>287.2</b>         | <b>28,163</b>    | -                 | -           |
| Singapore                       | 1                                      | Pacific Healthcare Nursing Home @ Bukit Merah      | Pacific Healthcare Nursing Home Pte. Ltd.                               | 1.2                       | 259                    | 3,593           | 8.5                  | -                | 10                | 10 Apr 2027 |
|                                 | 2                                      | Pacific Healthcare Nursing Home II @ Bukit Panjang | Pacific ElderCare And Nursing Pte. Ltd.                                 | 1.2                       | 265                    | 3,563           | 8.9                  | -                | 10                | 10 Apr 2027 |
|                                 | 3                                      | The Lentor Residence                               | The Lentor Residence Pte. Ltd.  | 1.8                       | 208                    | 4,005           | 15.1                 | -                | 10 + 10 (option)  | 7 Jun 2027  |
|                                 |  | <b>Total</b>                                       |   |                           | <b>4.2</b>             | <b>732</b>      | <b>11,161</b>        | <b>32.5</b>      | -                 | -           |
| Indonesia                       | <b>Hospital</b>                        |  |   |                           |                        |                 |                      |                  |                   |             |
|                                 | 1                                      | Siloam Hospitals Yogyakarta                        | PT Taruna Perkasa Megah, PT Lippo Karawaci Tbk                          | 2.3                       | 249                    | 12,474          | 18.9                 | 216.8            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 2                                      | Siloam Hospitals Labuan Bajo                       | PT Lintas Buana Jaya, PT Lippo Karawaci Tbk                             | 1.3                       | 124                    | 7,604           | 10                   | 114.4            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 3                                      | Siloam Sriwijaya                                   | PT Rumah Sakit Siloam Hospitals Sumsel, PT Metropolis Propertindo Utama | 3.1                       | 357                    | 15,709          | 22.8                 | 262.1            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 4                                      | Siloam Hospitals Purwakarta                        | PT Berlian Cahaya Indah, PT Metropolis Propertindo Utama                | 2.8                       | 235                    | 8,254           | 21.6                 | 247.7            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 5                                      | Siloam Hospitals Bali                              | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 7.1                       | 281                    | 20,958          | 61.7                 | 709.3            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 6                                      | Siloam Hospitals Tb Simatupang                     | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 4.8                       | 269                    | 18,605          | 41.1                 | 472.6            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 7                                      | Siloam Hospitals Makassar                          | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 7.5                       | 362                    | 14,307          | 65.4                 | 751.8            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 8                                      | Mochtar Riady Comprehensive Cancer Centre          | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 14.2                      | 334                    | 37,933          | 124.4                | 1,430.4          | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 9                                      | Siloam Hospitals Lippo Cikarang                    | PT East Jakarta Medika  | 4.2                       | 164                    | 13,256          | 50.4                 | 579              | 15 + 15 (option)  | 30 Dec 2025 |
|                                 | 10                                     | Siloam Hospitals Lippo Village                     | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 18.5                      | 308                    | 32,696          | 162.2                | 1,864.2          | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | 11                                     | Siloam Hospitals Kebon Jeruk                       | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 7.3                       | 285                    | 20,268          | 70.8                 | 814.3            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 | <b>Integrated Hospital &amp; Mall</b>  |  |   |                           |                        |                 |                      |                  |                   |             |
|                                 | 12                                     | Siloam Hospitals Buton (SHBN)                      | PT Bina Bahtera Sejati, PT Lippo Karawaci Tbk                           | 2.8                       | 140                    | 21,934          | 10.8                 | 124              | 15 + 15 (option)  | 31 Dec 2035 |
|                                 |  | Lippo Plaza Buton (LPB)                            |   |                           |                        |                 | 11.7                 | 134              |                   |             |
|                                 | 13                                     | Siloam Hospitals Kupang (SHKP)                     | PT Krisolis Jaya Mandiri, PT Metropolis Propertindo Utama               | 6.0                       | 416                    | 55,368          | 18.4                 | 212              | 15 + 15 (option)  | 31 Dec 2035 |
|                                 |  | Lippo Plaza Kupang (LPK)                           |   |                           |                        |                 | 30.1                 | 346              |                   |             |
|                                 | 14                                     | Siloam Hospitals Manado (SHMD)                     | PT Siloam International Hospitals Tbk, PT Lippo Karawaci Tbk            | 7.8                       | 238                    | 36,051          | 39.8                 | 457.6            | 15 + 15 (option)  | 31 Dec 2035 |
|                                 |  | Hotel Aryaduta Manado (HAMD)                       |   |                           |                        |                 | 199                  | 37.9             |                   |             |
| <b>Hotel &amp; Country Club</b> |  |  |   |                           |                        |                 |                      |                  |                   |             |
| 15                              | Imperial Aryaduta Hotel & Country Club | PT Lippo Karawaci Tbk                              | 1.9   | 191                       | 17926                  | 27.5            | 316.7                | 1 + 1 (option)   | 31 Dec 2023       |             |
|                                 | <b>Total</b>                           |  |   | <b>91.6</b>               | <b>4,152</b>           | <b>333,343</b>  | <b>825.5</b>         | <b>9,489</b>     | -                 | -           |

<sup>^</sup>: Mostly beds in Indonesia and Singapore. Unless the property is a hotel, in which case is the number of rooms.

\*: As at 31 December 2022, exchange rates were SGD 1 = JPY 98.04 and SGD 1 = IDR 11,494 respectively.

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|-------------------------|---|
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