Parkway Life Real Estate Investment Trust (SGX:C2PU)

BUY: S$6.02 (+21.3%)

NUS INVESTMENT SOCIETY

Equity Research Department – Real Estate

Date: 1st December 2021

Analysts

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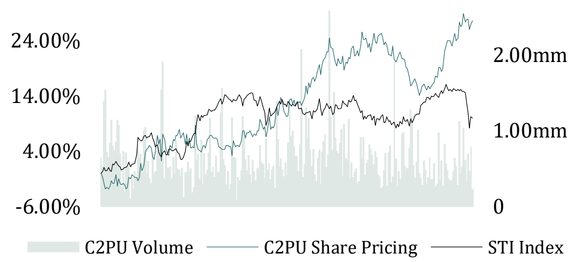
Basic Information

Last Closed Price	S$4.96
12M Target Price	S$6.02
+/- Potential	21.3%
Bloomberg Ticker	PREIT SP
GICS Sector	Real Estate
GICS Sub-Industry	Healthcare REITs

1Y Price v Relative Index



Company Description

Parkway Life Real Estate Investment Trust is one of Asia's largest listed healthcare REITs by asset size. It invests in income-producing real estate & real estate related assets for healthcare & healthcare-related purposes, with a total portfolio size of S$2.29 billion in 3Q21. It owns a well-diversified portfolio of 55 properties in Singapore, Japan & Malaysia.

Key Financials

Market Cap	S$2.98b
Basic Shares O/S	S$0.61b
Free Float	64.5%
52-Wk High-Low	S$3.77 - S$5.09
Fiscal Year End	31-Dec-2021

(S$ M)	FY19A	FY20A	FY21E	FY22E
Revenue	115.2	120.9	125.1	128.8
Gr Rate (%)	6.1	6.9	6.5	6.5
NPI	108.2	112.5	116.9	120.4
Margin (%)	93.9	93.1	93.5	93.5
ROE	10.4	7.4	21.8	8.8
ROA	6.2	4.2	13.0	5.2
ROIC	2.2	0.3	9.1	1.5
Gearing	37.1	38.4	36.6	38.1

Key Executives

Mr. Yong Yean Chau	Chief Executive Officer
Mr. Loo Hock Leong	Chief Financial Officer

We are initiating coverage of **Parkway Life Real Estate Investment Trust, ("PLife REIT" or the "Company")** with a BUY rating and a **S$6.02** 12M price target.

3Q21 Earnings Highlights

- **Gross Revenue increased 1.2% to S$30.5 million** from S$30.2 million in 3Q20.
- **Net Property Income (NPI) decreased 2.9% to S$27.3 million** from S$28.1 million in 3Q20, largely due to loss of income from property divested in January 2021, depreciation of the Japanese Yen and one-off allowance for doubtful debts.
- **Distributable Income increased 0.8% to S$21.6 million** from S$21.4 million in 3Q20, similarly, DPU was 3.56 cents for the period declared.
- **Gearing Ratio decreased from 37.0% in FY20 to 34.9%** in 3Q21, well below the regulatory limit of 50.0%.

Investment Thesis

- **Properties strategically positioned in the Singapore & Japan market to remain competitive among peers**, to take advantage of the increase in healthcare needs stemming from both countries' aging population, ensuring stable income generation.
- **Strong and stable partnerships will further drive property income growth,** and this is supported by Right of First Refusal granted by 2 key healthcare operators, facilitating acquisitions in the near future.
- **Armed with a strong balance sheet, PLife REIT is well-positioned to grow its portfolio size via accretive acquisitions,** both in its existing Japan market and a potential third market in the decade ahead.

Catalysts

- Singapore government establishing Vaccinated Travel Lane arrangements with more countries, boosting medical tourism.
- Further strain on the healthcare system due to emerging COVID-19 variants (Omicron), will lead to increased reliance on private hospitals to operate community treatment facilities.
- Upcoming 4Q21 earnings is expected to show an increase in gross revenue and distributable income for FY21, driving investor demand.

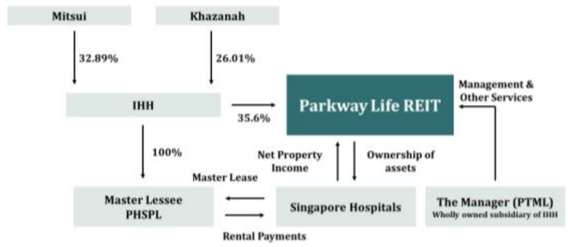
Valuations

Our 12M price target at the date of coverage is **S$6.02**. Using an assumed payout ratio of 30.0% in FY21 and 71.8% from FY22 – FY25, a DDM model was used to derive the valuation. Our target price falls within the relative valuation of PLife REIT's competitors, DCF valuation as well as consensus estimates of S$4.72 – S$5.75. The current yield spread between PLife REIT and 10-year SGS of 1.1% is lower than the 1-year lookback yield spread mean of 1.7% and a mean reversion is expected with the Master Lease Renewal bringing about an increase in gross revenue stability.

Investment Risks

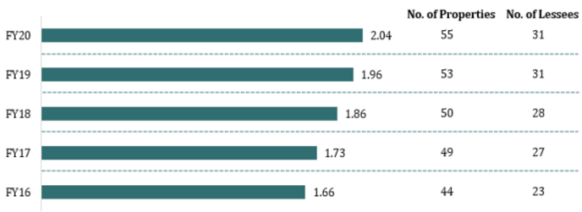
- **Rising trend of telemedicine:** Risk of making traditional healthcare system become more obsolete.
- **Portfolio concentration risk:** 84.7% of PLife REIT's earnings are concentrated among top 10 operators. This poses an operational risk in the event of soured relationship.
- **Low ESG ranking and rating:** PLife REIT scored a D+ in its overall ESG rankings in 2020. Low ESG scores may undermine PLife REIT's attractiveness in the eyes of potential investors.

Figure 1: PLife REIT Trust Structure



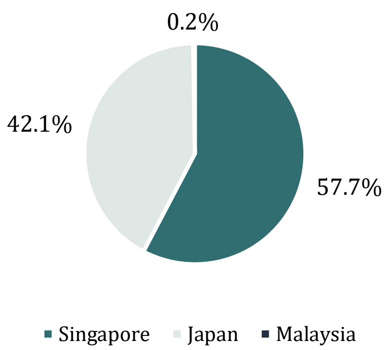
Source: Company Filings

Figure 2: Portfolio Value (SGD in billions)



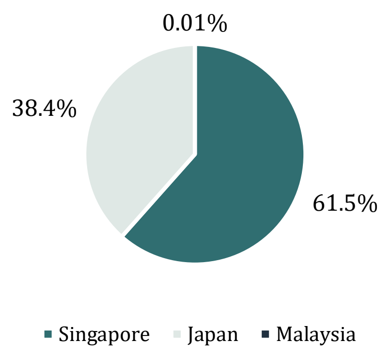
Source: PLife REIT Q3'21 Presentation

Figure 3: Gross Revenue Breakdown by Geographical Segment



Source: PLife REIT FY'20 Annual Report

Figure 4: Net Property Income Breakdown by Geographical Segment



Source: PLife REIT FY'20 Annual Report

Company Overview

Parkway Life Real Estate Investment Trust ("PLife REIT") is one of Asia's largest listed healthcare REITs by asset size. Managed by Parkway Trust Management Limited, PLife REIT has been listed on the Mainboard of the Singapore Stock Exchange since August 2007. The sponsor of PLife REIT is Parkway Holdings Limited ("PHL") which is one of Asia's premier, fully integrated healthcare providers, with one of the largest networks of hospitals and healthcare services in the region.

PHL has a well-diversified portfolio of businesses, hospitals, and healthcare services across China, Singapore, Brunei, India, Malaysia, and Vietnam. At the end of FY20, the portfolio's value was S$2.04 billon. As of 3 November 2021, PLife REIT has a combined portfolio value of S$2.29 billion. It is a pure-play private hospital and nursing home real estate investment trust with a resilient portfolio of 55 properties located across 3 key markets: Singapore, Japan, and Malaysia. It owns the largest portfolio of strategically located private hospitals in Singapore comprising Mount Elizabeth Hospital, Gleneagles Hospital, and Parkway East Hospital. In addition, it has 51 high-quality nursing home assets in a total of 17 prefectures across Japan. It also owns strata-titled units/lots in MOB Specialist Clinics Kuala Lumpur in Malaysia. Majority of the returns are driven by properties in Singapore (57.5%) and Japan (42.5%) in terms of portfolio contribution.

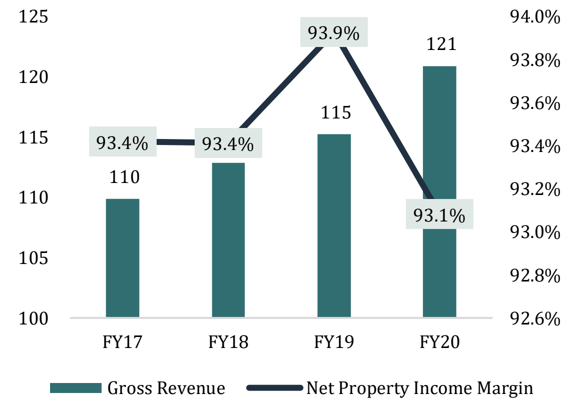
PLife REIT has a dominant position in the Singapore private healthcare market with strong government support and its quality medical care assets. Outside of Singapore, PLife REIT has laid a strong foundation in Japan for sustainable growth in the long-term as it enjoys favourable lease agreements with long lease tenures (WALE of 16.6 years), guaranteed increments in rent ("up-only" rental reviews), and downside protection (92.3% of properties by gross revenue). With an aging population in both Singapore and Japan, PLife REIT is strategically positioned to ride the growth of both countries' healthcare story and leverage on its core expertise as it continues to seek out opportunities to meet growing demand.

Amidst the backdrop of the COVID-19 pandemic, PLife REIT remained a defensive haven for investors. In FY20, gross revenue increased 4.9% to S$120.9 million and it achieved a record high recurring Distribution per Unit ("DPU") increasing to 13.79 cents from 13.19 cents in FY2019. PLife REIT also successfully secured loan facilities to term out all near-term maturing debts, with no debt refinancing needs till June 2023, while continuing to strengthen its cash and cash equivalent position standing at S$22.7 million compared to S$21.9 million in 2019.

3Q21 Earnings Highlights

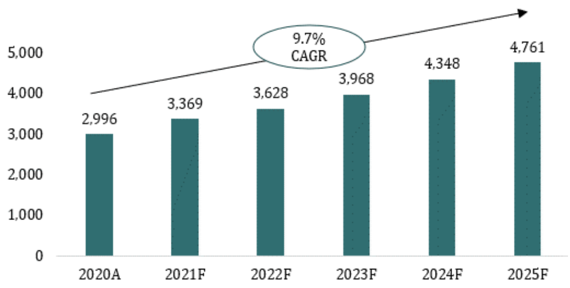
- Gross Revenue increased 1.2% to S$30.5 million from S$30.2 million in 3Q20
- Net Property Income (NPI) decreased 2.9% to S$27.3 million from S$28.1 million in 3Q20, largely due to loss of income from property divested in January 2021, depreciation of the Japanese Yen and one-off allowance for doubtful debts
- Distributable Income increased 0.8% to S$21.6 million from S$21.4 million in 3Q20, similarly, DPU was 3.56 cents for the period declared
- Gearing Ratio decreased from 37.0% to 34.9%, well below the regulatory limit of 50.0%, leaving ample debt headroom of S$704.8 million

Figure 5: Gross Revenue and Net Property Income over the years



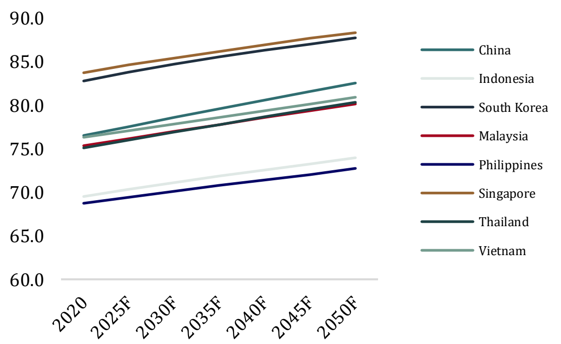
Source: PLife REIT FY'20 Annual Report

Figure 6: Asia Pacific Healthcare Expenditure (SGD in billions)



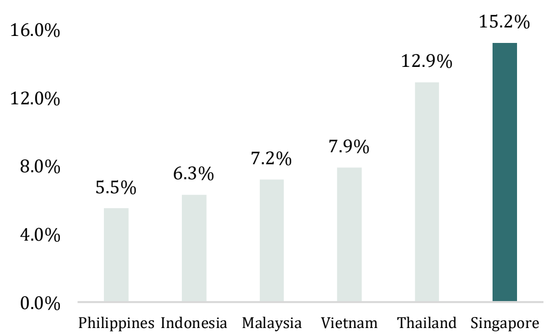
Source: Fitch Research

Figure 7: Average Life Expectancy across Asia



Source: Asian Development Bank

Figure 8: Resident Population over 65 (2020) – Major ASEAN Economies



Source: The World Bank

- Overall portfolio occupancy rate of 100.0%
- 97.9% of the overall portfolio has downside protection based on Gross Revenue, which adds to PLife REIT's income stability in the immediate future

Industry Outlook

The demand for healthcare in the Asia Pacific region will continue to be driven by the rising prevalence of chronic diseases, universal healthcare implementation efforts, a growing population, and increasing urbanisation. The Asia Pacific market is forecast to expand to S$4.76 trillion with a 9.7% CAGR through to 2025. The average life expectancy across Asia is also increasingly steadily presenting huge opportunities in the wider healthcare market and eldercare segment in Asia. In PLife REIT's key markets – Singapore and Japan, healthcare spending is expected to increase steadily in the decades ahead due to aging demographics and increased private sector involvement to provide specialised care as well as elder care.

Impact of COVID-19

With the emergence of the Omicron variant, the region and key markets of PLife REIT will continue to grapple with the virus and its challenges. However, the pandemic has actually boosted governments' commitment to the healthcare sector as COVID-19 has highlighted existing deficiencies in healthcare systems across the region. This will in turn, lead to opportunities for private healthcare providers such as PLife REIT to capitalise on.

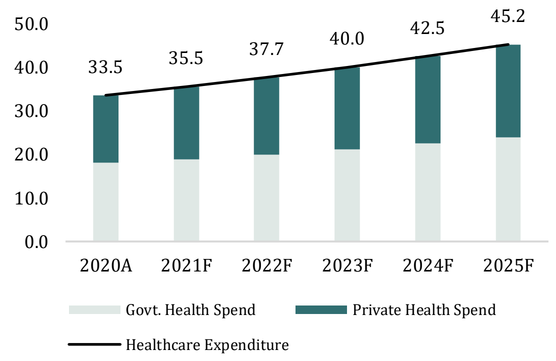
Demographic-driven demand for healthcare: Singapore

Despite the healthcare challenges faced in combating the COVID-19 pandemic, the Singapore government remains cognizant of the demographic pressures. Faced with increasing life expectancy and low fertility rates, Singapore's proportion of resident population aged 65 or older has risen rapidly to 15.2% in 2020 - the highest amongst all other Southeast Asian countries. The average life expectancy stood at one of the highest in the world: 81.7 years for males and 85.9 years for females. Overall, long-term key drivers for the Singapore private healthcare market include: 1) A rapidly ageing population, 2) Rising demand for chronic and lifestyle disease treatment, and 3) Growing disposable incomes leading to greater demand for higher quality healthcare and aged care services.

Over the years, as the demographic pressures intensify, the Singapore government has more than quadrupled its healthcare expenditure from S$4 billion a year in 2010 to S$18.8 billion (budget) in 2021. The latest budget represents a sharp increase of 13.2% from the previous year, to cater to the growth in patient care subsidies as well as the opening of new healthcare facilities. Furthermore, to support affordable and sustainable long-term care, three new initiatives were also launched recently in 2020 – Elderfund, Careshield Life, and Medisave.

Largely fuelled by secular tailwinds such as Singaporeans' increased use of healthcare services given the ageing population and a trend towards earlier diagnosis of conditions, healthcare expenditure of the country is expected to grow steadily from S$33.5 billion in 2020 to S$45.2 billion in 2025 which represents a healthy CAGR of 6.1%. Additionally, the private healthcare sector is expected to continue to play a key role as healthcare demand rises, with private healthcare expenditure expected to account for 48.1% of total healthcare spending in 2025 compared to 46.3% in 2020.

Figure 9: Singapore Healthcare Expenditure (SGD in billions)



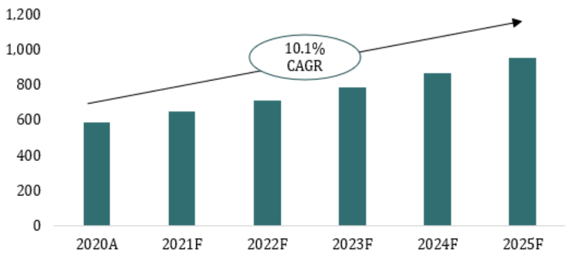
Source: Fitch Research

Figure 10: ASEAN's Top 3 Medical Destinations

Country	Patients Annually	Market Size	Associated Specialties
Thailand	2,500,000	US4.3 bn	Cardiology, Cometics, Weight Loss Surgery
Singapore	850,000	US3.5 bn	Oncology, Orthopaedics, Reconstructive Surgery
Malaysia	583,000	US158 m	Cardiology, Oncology, Spine Surgery

Source: The Tourism Authority of Thailand, Singapore Tourism Board, Malaysia Healthcare Travel Council

Figure 11: Japan's Aging Care Market (USD in billions)



Source: Bill and Melinda Gates Foundation

Figure 12: Countries with Largest Share of Population >65 years old (2020)

Country	>65%
Japan	28.4%
Italy	23.0%
Portugal	22.4%
Finland	22.1%
(World)	9.1%

Source: The World Bank

<u>Medical tourism: Singapore remains a popular destination for complex treatments</u>

Prior to the pandemic, Singapore regularly attracts 850,000 medical tourists annually despite stiff competition from private healthcare providers in neighbouring countries such as Malaysia and Thailand due to its lower costs, Singapore remains a popular destination for complex treatments by focusing on sectors within diagnoses and oncology, stem cell as well as regenerative therapies. Successful healthcare destinations would need to provide foreign patients with a pleasant experience through organisational innovation and service quality such as superior patient–doctor–nurse relationships. This has thus placed Singapore in a favourable position given its high-quality medical staff and equipment. Additionally, while low-cost treatment in Malaysia and Thailand may appeal to most neighbouring countries in the region, Singapore will continue to attract wealthy patients from countries such as Indonesia, China, and India who are not as cost-conscious.

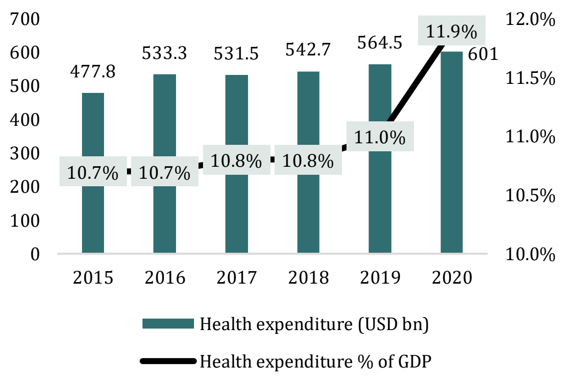
In all, Singapore is a stronghold for PLife REIT. The company is strategically positioned to ride the growth of Singapore's healthcare story with strong government support and its quality medical care assets.

The silver economy opportunity: Japan

Japan is the world's most aged society, with the proportion of resident population aged 65 or older accounting for 28.4% of its total in 2020 and is expected to reach 35% by 2040. The country's life expectancy rates – 81.6 years for males and 87.8 years for females, is one of the highest in the world. Strong demand for Japanese private healthcare will continue with Japan's aging care market poised to grow at an attractive CAGR of 10.1% from USD588.3 billion in 2020 to USD954.0 billion in 2025, which will represent a larger market than the country's domestic markets for automobile, finance, and consumer electronics. Furthermore, the demand for chronic diseases treatment in Japan will see a strong uptick over the coming years and this shift in the epidemiological profile reflects the increasing prevalence of lifestyle-related diseases. Cardiovascular conditions, diabetes, and cancer account for a large and growing burden of disease. The total economic cost imposed on Japan's healthcare financing is significant, with non-communicable diseases posing the heaviest burden. Total health expenditure stood at USD601.0 bn in 2020 (second in the world), and per capita spending at USD4,752 (top 20 worldwide). Overall, long-term key drivers include: 1) A rapidly-ageing population, 2) Rising demand for aged care facilities, and 3) Rising demand for chronic disease treatment.

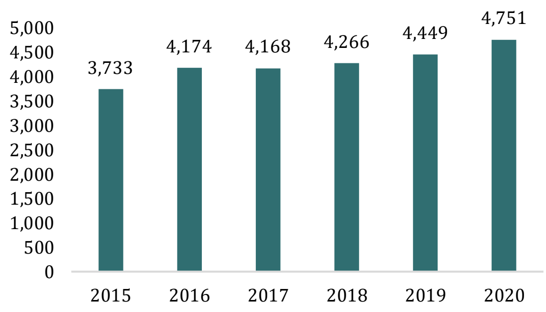
Due to robust demand for healthcare services as well as the need to contain costs and burden of healthcare over the coming years, the government has introduced various initiatives to safeguard its healthcare system's viability. This includes the Community-based Integrated Care System that aims to shift from hospital to community and home-based care delivery, as well as the new visa system to allow more migrant workers into Japan to ease labour shortages in the sector. In terms of financing, elderly patients also have an additional insurance scheme on top of other universal health insurance policies. Namely, the Health Programme for the Elderly, which is financed by national and local government funds and by contributions from the national health insurance plan. The scheme covers citizens aged over 70 years, or over 65 if they are bedridden. The government is expected to continue to support measures to improve and extend access to healthcare, sustaining overall sector demand and growth over the long term.

Figure 13: Japan Health Expenditure (USD in billions) vs Health Expenditure % of GDP



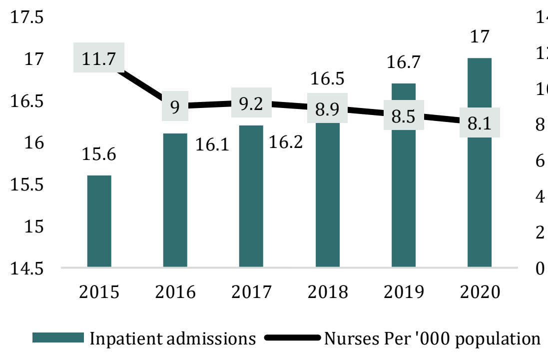
Source: Fitch Research

Figure 14: Per Capita Healthcare Spending in Japan



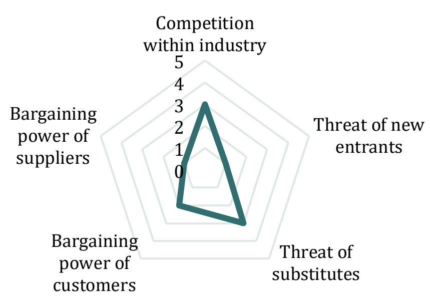
Source: Fitch Research

Figure 15: Japan Inpatient Admissions (millions) vs Nurses Per '000 Population



Source: Fitch Research

Figure 16: Porter's Five Forces



Source: NUS Investment Society Estimates

<u>Opportunity for private healthcare providers: Healthcare system in danger of becoming overburdened</u>

Already challenged by the rapidly ageing society, increasing expenditures and labour shortages in the healthcare sector, the system also faces other problems. Even though the country has some of the most sophisticated hospitals and is the world leader in terms of the number of beds per person (12.2 per thousand population), Japan has the highest hospital ALOS (average number of days patients spend in hospital) rate in the world. This is largely attributed to the country's large elderly population and the associated long term care requirements. Furthermore, it is estimated that inpatient admissions have also grown by a CAGR of 1.7% from 2016 to 2021, to 17 million, equal to a rate of 134 per thousand population. This rate is well above both Asia Pacific and world averages. Additionally, the distribution of doctors in urban and rural areas remains uneven, with most preferring the former, causing a huge shortage of doctors and healthcare services in rural areas.

As such, there exist a gap in the market for private healthcare providers and more specifically, nursing home providers. This is also driven by government initiatives such as the aforementioned Community-based Integrated Care System which aims to prioritise community-based and home-based care delivery. This opportunity can be realised through the direct provision of care services to the growing elderly population and moving patients out of hospitals into nursing and aged care facilities.

Comprehensively, with its portfolio of 51 high quality nursing home assets across the prefectures, PLife REIT has built a strong presence in Japan. Moving forward, the company is well-positioned to benefit from supportive government initiatives and opportunities in the silver economy of the nation.

Porter's Five Forces

Illustrating the points below using the Porter's Five Forces diagram, we observe that PLife REIT operates in large and growing healthcare markets in both Singapore and Japan without any considerable competition and high barriers to entry. The factors that may present a challenge to PLife REIT's portfolio can be mitigated by the company's moat, capabilities, and strategic partnerships.

Competition within industry – Moderate

Singapore has a well-established healthcare system comprising private hospitals, public hospitals and several specialist medical centres. PLife REIT is the dominant player in the private healthcare market operating 3 of the 9 private hospitals in Singapore. Private hospitals are generally preferred to public ones due to its higher standards of care and faster access to treatment. In Japan, PLife REIT has a foothold in the nursing homes segment with a portfolio of 51 nursing homes strategically located in dense residential districts in major cities all over the country.

Threat of new entrants - Low

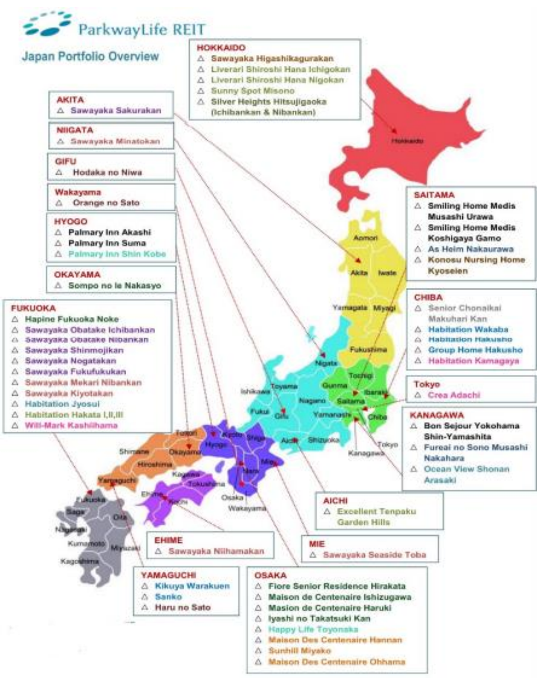
The high investment costs are a significant barrier to entry for new entrants due to the large initial outlay required to build or acquire properties along with the high capital expenditure required to maintain healthcare properties. Furthermore, securing properties in prime locations is a challenge especially in a land-scarce country like Singapore. The pandemic has also accelerated the shift towards a healthcare system that is less hospital-centric in the form of telecare – specifically outpatient care, however, hospitals will always remain essential towards providing for primary, specialty, and long-term care. The nursing homes industry in Japan is a fragmented one, but with

Figure 17: Breakdown of Private Hospitals in Singapore

Hospital	Occupancy Capacity
Raffles Hospital	380
Mount Elizabeth Hospital	**345**
Mount Alvernia Hospital	303
Gleneagles Hospital	**258**
Mount Elizabeth Novena Hospital	250
Thomson Medical Centre	190
Farrer Park Hospital	121
Parkway East Hospital	**106**
Concord International Hospital	31
% Belonging to PLife REIT	***35.7%***

Source: Respective company websites

Figure 18: PLife REIT's 51 Nursing Home Assets across Japan



Source: PLife REIT Q3'21 Presentation

Figure 19: Key Nursing Home Operators

Nursing Home Operator	Description
K.K. Sawayaka Club	Part of the listed Uchiyama Holdings, operates 75 care services facilities
K.K. Riei	Major player with over 15 facilities over Tokyo, Osaka, Chiba, and Hyogo
Miyako Enterprise Co Ltd	Strong foothold in Osaka, with over 9 facilities in the prefecture
K.K. AlphaBetta	Affiliate of K.K. Habitation
K.K. Habitation	Well established player managing over 10 assets in Fukuoka and Chiba

Source: Company Filings

Figure 20: Healthcare spending per senior in 2015 versus 2030 and % of elderly people aged 65& above

Source: Nikkei Asia

partnerships already established with 28 operators in the country, it is unlikely for a new entrant to assemble as many partnerships in a short span of time.

Threat of substitutes - Moderate

The public healthcare system is made more accessible and affordable due to policies introduced by the Singapore government. Additionally, most insurance plans cover treatment and ward fees of only public hospitals. Despite the aforementioned points, recent COVID-19 outbreaks in public hospitals have diminished its appeal. Furthermore, private healthcare appeals to a different segment of the market and still boasts better facilities as well as higher standards of care. For medical tourism, there is high switching costs as patients tend to stick with the same doctor and hospital due to familiarity. It is also uncommon for doctors to switch to another hospital and even so, patients are unlikely to follow them. In Japan, PLife REIT boasts a number of well-established nursing home operators such as K.K. Sawayaka Club, Miyako Enterprise, and K.K. Habitation. K.K. Sawayaka Club for example, operates 75 care services facilities and is the largest private nursing home operator in Kyushu. PLife REIT also has a ROFR over future sales of nursing homes owned by Uchiyama Holdings.

Bargaining power of customers - Low

With a world-class healthcare system in Singapore as well as a well-balanced mixture of both public and private hospitals in Singapore for the masses, patients have more than ample choices for their healthcare needs. Despite that, PLife REIT operates 3 of the 9 private hospitals in Singapore - Mount Elizabeth, Gleneagles, and Parkway East. Mount Elizabeth and Gleneagles are renowned hospitals in the region with the former consistently ranked as the top private healthcare provider in Singapore. PLife REIT's nursing homes in Japan are generally located in densely populated major cities where patients are relatively price insensitive. Nursing home operators are competing on other pivotal factors such as quality and location of their properties. Furthermore, due to the increasing level of demand in the market, the bargaining power of customers are low.

Bargaining power of suppliers - Low

PLife REIT's hospitals and nursing homes purchases equipment and pharmaceutical products from a wide variety of companies in the market. Due to the vast availability, the bargaining power of suppliers is low. Additionally, PLife REIT's dominant position in both its Singapore and Japan markets suggests that they are in a stronger bargaining position than its supplier.

Investment Thesis

1. Properties strategically positioned in the Singapore & Japan market to remain competitive among peers, to take advantage of the increase in healthcare needs stemming from both countries' aging population, ensuring stable income generation

Both Singapore and Japan are poised to experience demographic-driven demand in the form of a rapidly aging population, which will bring about a steady increase in healthcare spending amongst the elderly in the decades to come. By 2030, 21% of Singapore's population will be 65 years or older, while that of Japan's population will be over 30%. Additionally, healthcare spending per senior citizen will rise significantly. From 2015 to 2030, this amount is expected to increase from USD3,000 to USD38,000 (Singapore), and USD8,000 to USD16,000 (Japan).

Figure 21: Number of PLife REIT's Nursing Homes in Densely Populated Cities in Japan

Cities	Population Density	No. of Properties (PLife REIT)
Tokyo	96.66	1
Osaka	83.72	8
Kanagawa	76.43	3
Saitama	60.65	4
Aichi	56.70	1
Chiba	54.66	5
Fukuoka	53.11	11
Hyogo	50.03	3

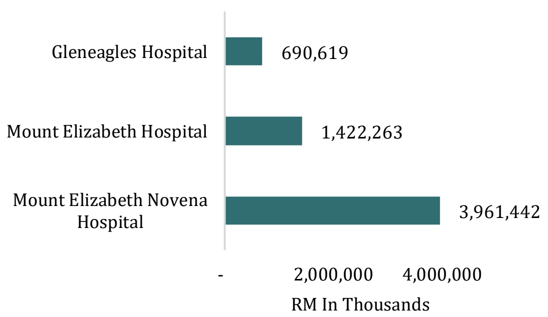
Source: Stats-Japan

Figure 22: Comparison of Lease Terms among PLife REIT's Competitors

REIT	WALE	No. of Operators	Occupancy Rate	Special Terms
Healthcare & Medical Investment Corporate	13.3 years	12	92.4%	N/A
Daiwa Securities Investment Corporation	19.4 years	17	98.4%	N/A
First Real Estate Investment Trust	11.6 years	N/A	100%	N/A
PLife REIT	17.4 years	28	100%	"Up-Only" rental review

Source: Respective Companies' Filings

Figure 23: Significantly Larger Value of Mount Elizabeth Novena Hospital



Source: IHH Annual Report

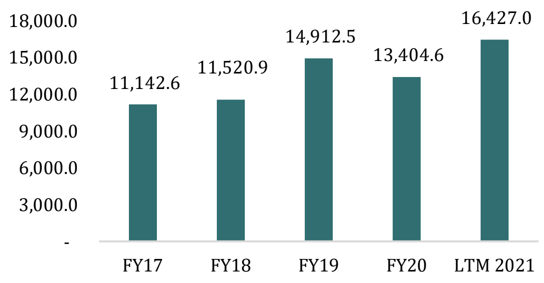
The Singapore government has identified that rising healthcare demand will lead to tight budgets, infrastructure capacity, and straining on personal savings of the elderly and their families. As a result, private hospitals in Singapore will play a vital role in supplementing the public hospitals in meeting the rising demand for healthcare services in Singapore, especially regarding geriatric medicine services. Plife REIT's Singapore properties have the highest number of geriatric specialists among all private hospitals, with Parkway East Hospital having 4 geriatric specialists, followed by Mount Elizabeth Hospital having 3 specialists. Other private hospitals - Raffles Hospitals, Mount Alvernia Hospital and Farrer Park Hospital have 2, 2 and 1 specialists respectively, while Thomson Medical Centre & Concord International Hospital do not have geriatric specialists. It is also worth noting that the specialists in Mount Alvernia & Farrer Park Hospitals are the same doctors working in Parkway East Hospital. Hence, there is little quality disparity among the hospitals' geriatric services while Plife REIT's hospitals have a competitive advantage in the variety of specialist options for the patients. Thus, PLife REIT's 3 Singapore private healthcare hospitals, out of the total of 9 private hospitals, are well positioned to ride the silver wave of aging population to ensure income stability. In return, good business from the hospitals would lead to higher variable rent paid to PLife REIT, which amounts to 3.8% of Adjusted Hospital Revenue from 23 Aug to 22 Aug of the following year.

Next, in Japan, PLife REIT has a history of strong acquisitions, culminating in a tactically developed and diversified portfolio of 51 nursing homes with total value of S$822.4 million and a network of 28 operators in Japan. The nursing homes are also located in prime locations. Specifically, 71% of properties in Japan are in the 8 most densely populated cities. This strong nationwide foothold presents a high barrier of entry for newcomers with intense capital and network resources requirement. Additionally, it is important to note that PLife REIT has more operators than its current comparable competitors, namely Healthcare & Medical Investment Corporate, Daiwa Securities Investment Corporation, First Real Estate Investment Trust. Hence, it shows that PLife REIT has a stronger ability to reduce tenant concentration risks. Furthermore, PLife REIT's strong relationship with its operators is clearly seen through the more favourable lease terms compared to its competitors in Japan. Specifically, PLife REIT has the second highest WALE of 16.6 years as of middle of 2021, along with 100% committed occupancy rate. PLife REIT is also the only one among its competitors which has *"Up-Only" rental review provision* with most of its nursing homes. Hence, PLife REIT is more firmly established in Japan compared to its competitors to continue leading the market share of nursing home estates, enjoying stable and growing rental income.

2. Strong and stable partnerships with its healthcare operators will drive property income growth and allow PLife REIT to acquire more properties within its key operating markets.

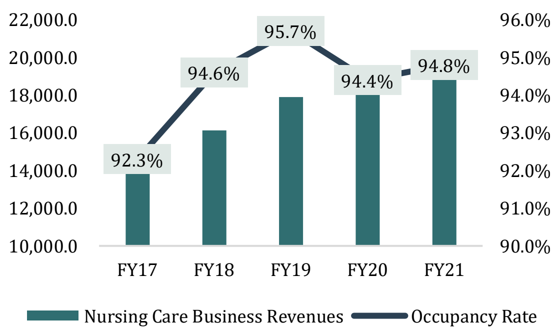
Being a reputable healthcare REIT, PLife REIT has been able to establish high-quality partnerships with healthcare operators in the Singapore and Japan market. Among the multiple healthcare operators, PLife REIT has a Right of First Refusal ("ROFR") with 2 of them, namely IHH Healthcare Berhad (SGX:Q0F) ("IHH") in Singapore and K.K. Sawayaka Club ("K.K. Sawayaka") in Japan. IHH operates 80 hospitals across 10 countries and by partnering with an established operator, the risk of operator default that PLife REIT faces is significantly reduced. Furthermore, PLife REIT has a ROFR over Mount Elizabeth Novena Hospital Property, the remaining private hospital in Singapore under IHH that PLife REIT does not own. If the Company chooses to exercise its right, it can potentially be a substantial source of gross revenue. Mount Elizabeth Novena Hospital has a floor area of

Figure 24: IHH's Improving Revenue (RM in Millions)



Source: Capital IQ

Figure 25: Uchiyama's Strong Nursing Care Business (Yen in Millions)

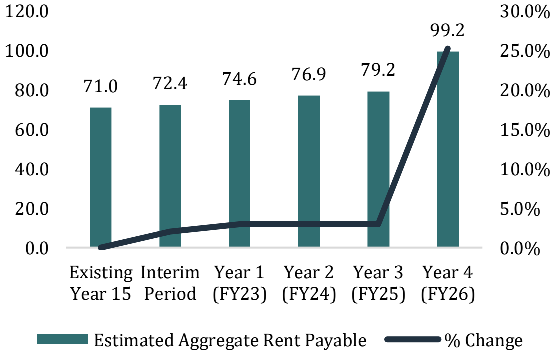


Source: Capital IQ

Figure 26: Portfolio Lease Expiry Arising from Master Lease Renewal

Source: Company Filings

Figure 27: Rental Growth from Master Lease Renewal for Singapore Hospital Properties



Source: Company Filings

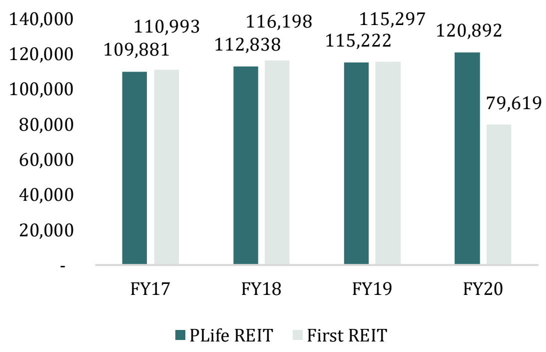
around 73,000 sq m, which is relatively larger than that of Mount Elizabeth Hospital's 58,000 sq m, Gleneagles Hospital's 49,000 sq m and Parkway East Hospital's 11,000 sq m. For PLife REIT's Singapore Properties, there is an annual rent review formula – applicable for FY26 to FY42 - which stipulates that the rent payable must be the higher of (1+(CPI+1%) * Total rent payable for the immediately preceding year) or (Base Rent + Variable Rent). As the variable rent is a percentage of the Singapore Hospital Properties' Adjusted Hospital Revenue ("AHR"), we believe that the fortunes of PLife REIT is partially dependent on the performance of IHH, and with IHH's revenue increasing from RM11,142.6 million in FY17 to RM13,404.6 million in FY20, we expect this upward trend to continue and this will impact PLife REIT positively, as there will be an increase in gross revenue from higher rent. Beyond the Company's existing markets, we believe that IHH's strong financial performance will culminate into PLife REIT acquiring more properties from IHH, which will drive top-line growth.

Additionally, PLife REIT's strong partnership with K.K. Sawayaka in Japan is likely to help the Company to sustain gross revenue growth moving forward. K.K. Sawayaka is the largest private nursing home operator in Kyushu and it is part of Uchiyama Holdings Co., Ltd. (TSE:6049) ("Uchiyama"). PLife REIT has a ROFR over future sales of nursing homes owned by Uchiyama and based on Uchiyama's financial performance, its nursing care business has continued to stay resilient. Revenue rose from ¥14,431.4 million in FY17 to ¥20,005.8 million in FY21, with the occupancy rate remaining steady around 95.0%. Uchiyama's management has signalled that it is looking to expand beyond Kyushu and open more nursing homes nationwide; we expect Uchiyama's expansion plan to be successful considering its expertise and PLife REIT can benefit from being able to acquire more properties in Japan, increasing property income in the longer term.

On 30th September 2021, PLife REIT secured the approval of Unitholders for the Proposed New Master Lease Agreements and Renewal Capex Agreement. This extended the partnership between PLife REIT and IHH by 20 years to 2042 and a one-time Renewal Capex of S$150 million will be used to upgrade the Singapore Hospital Properties. The WALE of PLife REIT's overall portfolio by gross rent improved from 5.7 years to 17.4 years, providing sustainable occupancy and income certainty in the years ahead. This agreement paves the way for future collaboration and growth which PLife REIT will eventually benefit from as rents are guaranteed to increase, with 2.0% and 3.0% step-up in rent for the Interim Period (23rd August 2022 – 31st December 2022) and the Downtime Period (FY23 – FY25) from preceding year/period respectively. The annual rent review formula embedded in the New Master Lease Agreements also allows PLife REIT to earn higher rent from FY26 to FY42, thereby, resulting in an increase in gross revenue. In Japan, the Company has an "Up only" Rent Review Provision for all, except 2, of its properties, which highlights PLife REIT's strong bargaining power over its healthcare operators.

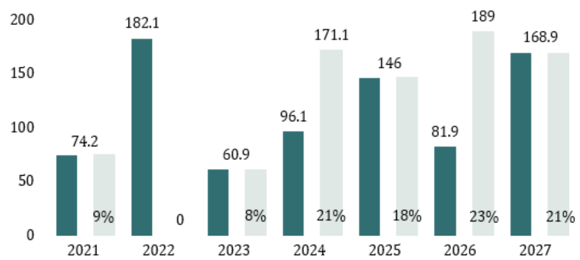
Overall, PLife REIT's partnerships with established healthcare operators gives it an edge over its competitors due to the reduced risk of operator default. First REIT (SGX:AW9U), another of PLife REIT's competitor, faced a steep decline in revenue in FY20, primarily because it had to restructure the master leases for 14 of their Indonesia Hospitals as there was a high risk of default from Lippo Karawaci (IDX:LPKR). As a result, First REIT's share price dropped 17.6% in the past year and it had to launch a dilutive rights issue, making the stock unattractive to investors. First REIT's financial instability makes it difficult to compete with PLife REIT, as such, we believe that PLife REIT will continue to be the leading healthcare REIT in the Singapore market. Moreover, the saturation of the private hospital space in Singapore makes it challenging for potential entrants to snatch market share. Out of the 10 private hospitals in Singapore, PLife REIT owns 3, and has a ROFR over another 1 of them. Considering

Figure 28: Reversal of Fortunes for First REIT (SGD in thousands)



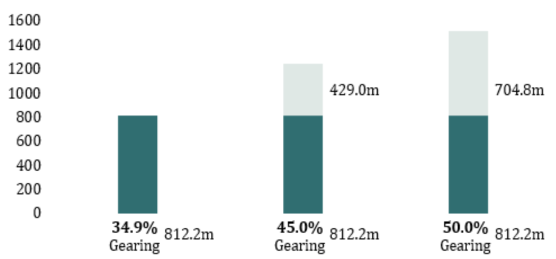
Source: Company & First REIT Filings

Figure 29: Debt Maturity Profile (Pre & Post Refinancing)



Source: PLife REIT Q3'21 Presentation

Figure 30: Gearing Ratio and Debt Headroom



Source: PLife REIT Q3'21 Presentation

Figure 31: Key Opportunities by Geographical Segment

Geography	Key Opportunities
Europe	Healthcare expenditure in **Emerging Europe** is expected to be robust, driven by government initiatives and accessibility. IHH Healthcare also has a foothold with healthcare assets across the region.
UK	**Huge gap in the aging care market** with 1.4 million elderly not receiving the care and support needed.
Australia	Government is pushing for **stronger private sector involvement** to provide specialised care.
Malaysia	**Rapidly expanding medical tourism market** presents huge opportunity for private healthcare providers

Source: Bloomberg, Company Filings

the space constraints, it is cost-intensive and difficult to set up a new private hospital, hence, we do not expect PLife REIT to face any new competition. This allows the Company to build on its market share in its key operating markets, driving further growth in gross revenue.

3. Armed with a strong balance sheet, PLife REIT is well-positioned to grow its portfolio size via accretive acquisitions, both in its existing Japan market and a potential third market in the decade ahead

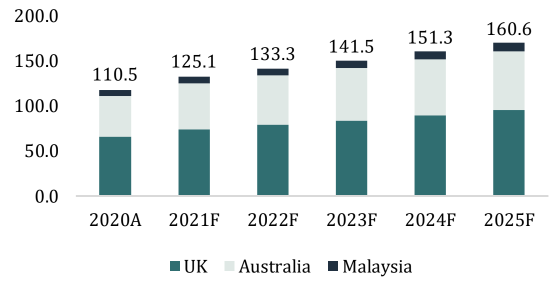
PLife REIT continues to strengthen its balance sheet with no long-term debt refinancing needs until 2023. As of Q3'21, PLife REIT has a strong cash position of S$22.7m and a gearing ratio of 34.9% which is well below the regulatory limit of 50% (representing a debt headroom of S$704.8m). PLife REIT's management has repeatedly highlighted its intention to prioritise and seek out investment opportunities in developing countries with mature healthcare markets such as Singapore, Japan, Malaysia, Australia, Europe, and the UK. All the aforementioned geographical segments are driven by secular tailwinds such as aging demographic profiles, rising incidence of chronic conditions, and favourable government policies.

More specifically, PLife REIT will prioritise and seek out acquisition opportunities in countries where it already has investments in order to achieve economies of scale. This is to achieve the following: 1) Establishing of country HQs for closer monitoring and management of its portfolio properties, and 2) Structure its investment holdings to take advantage of tax or regulatory benefits where available. Considering the fact that PLife REIT has 51 nursing home assets in Japan, we believe that Japan is the country where PLife REIT will focus most of its acquisition efforts into. We believe that this is a positive as PLife REIT management has demonstrated a positive track record of accretive acquisitions and effective asset-recycling in the country which has led to better optimisation of its portfolio. PLife REIT will also be focused on acquiring assets in the pipeline of its sponsor – IHH Healthcare. IHH Healthcare boasts healthcare properties such as hospitals globally across Europe (e.g., Turkey, Netherlands, Bulgaria) and Asia (e.g., China, India, Malaysia). Additionally, PLife REIT has ROFR agreements over private hospital and nursing home assets in Singapore and Japan with its sponsor and nursing home operators respectively.

PLife REIT has more than enough acquisitive "firepower" and financial flexibility to support its future growth with optimal cost of capital. PLife REIT's S$2.29 billion portfolio remains unencumbered and relies on diversified funding sources such as banks, capital markets financing products, as well as other non-traditional funding sources such as equity and convertible bonds. For future overseas acquisitions, PLife REIT is also considering asset-level financing to procure the best pricing and optimal tax positions. Furthermore, PLife REIT's management has adopted a prudent financial risk management strategy, ensuring that at least 50% of interest rate and forex exposures on the net income from foreign investments are hedged, as well as having no more than 30% of the total debts due in a single year to avoid any brunching effect or concentration risk. It is noteworthy to highlight that since its IPO in 2007, PLife REIT has not done any form of equity fundraising which demonstrates the management's prudent capital management approach.

In all, with a proven accretive acquisition track record and a strategic investment approach, we believe that PLife REIT's management will continue to grow its portfolio size which will only fuel further revenue growth. Furthermore, by achieving economies of scale through consolidation and taking advantage of tax benefits through effective

Figure 32: Consolidate Private Healthcare Expenditure for UK, Australia, and Malaysia (USD in Billions)



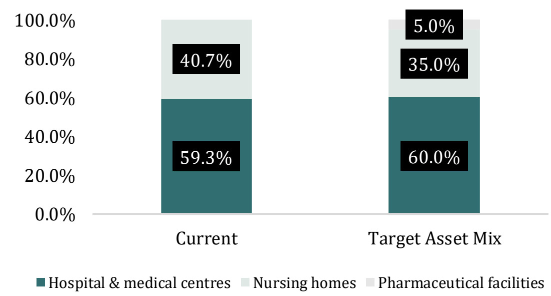
Source: Fitch Research

Figure 33: Record of Accretive Acquisitions & Effective Asset-Recycling in Japan

Track Record	
2021	Jan: **Divests non-core property in Japan** - S$37.1m at 12% premium (S$5.1m gain) Jun: **Acquisition of 2 Nursing Homes in Japan** - S$49.4m at 7.7% discount from valuation
2020	Dec: **Acquisition of Nursing Home in Japan** - S$21.2m at 4.6% discount from valuation
2019	Dec: **Acquisition of 3 Nursing Homes in Japan** - S$46.3m at 7% discount from valuation
2018	Feb: **Acquisition of Nursing Facility in Japan** - S$17.8m at 7.4% discount from valuation
2017	Feb: **Acquisition of 4 Nursing Homes and 1 Group Home in Japan** – S$59.5m at 9.1% discount from valuation

Source: Company Filings

Figure 34: Current Asset Mix vs Targeted Asset Mix



Source: PLife REIT Q3'21 Presentation

Figure 35: Largest Source of Medical Tourists into Singapore

VTL Countries	Effective Date	Potential VTL Countries	New COVID-19 Cases	Vaccination Rate
Indonesia	Active	China	124	74.5%
Malaysia	Active	Philippines	425	33.6%
United States	Active			
India	Active			
Thailand	13 December 2021			

Source: Our World in Data, World Health Organisation, SCMP, Budget Direct Insurance, ICA

restructuring, PLife REIT will also be able to drive net income growth and deliver regular, increasing, and stable distributions for its unitholders.

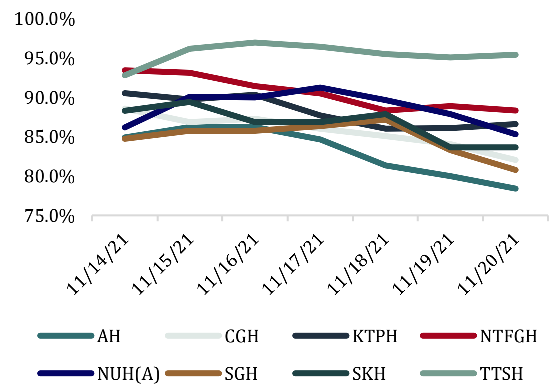
Catalysts

- The Singapore government has announced quarantine-free travel for vaccinated travellers between Singapore and 24 other countries. Currently, Singapore has an active Vaccinated Travel Lane ("VTL") arrangement with 18 countries, with 6 more countries coming into effect on the 13th and 15th of December 2021. The number of VTL countries is expected to increase as Singapore attempts to safely re-open its borders even amidst the Omicron variant. This will lead to an increase in medical tourists to Singapore, thereby, improving earnings for the private healthcare sector and benefitting PLife REIT's Singapore Properties. Although there might be a vacuum as medical tourists were not able to travel for the past 2 years, the impact is likely to be muted because of Singapore's attractiveness as a medical tourism destination. Additionally, Singapore has far superior doctors and we believe that wealthy individuals will continue to favour Singapore over other medical tourism countries in the region.

- With the recent surge in COVID-19 cases, the average bed occupancy rate among 8 public hospitals in Singapore stood at 85.1% as of the 20th of November 2021. The Ministry of Health ("MOH") had sought help from private hospitals to operate community treatment facilities in order to deal with the COVID-19 situation and reduce the strain on the healthcare system. At IHH, the number of COVID-19 beds set aside had grown substantially. The Omicron variant, which is said to be more transmissible than the Delta variant, is likely to result in MOH enlisting the help of private hospitals to deal with the potential spike in COVID-19 cases. This is expected to increase gross revenue for hospitals under PLife REIT's portfolio.

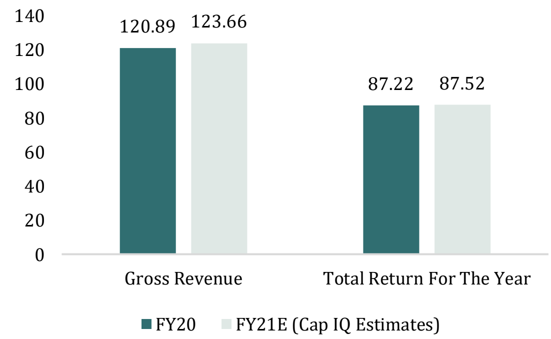
- Upcoming FY21 and 4Q21 earnings that is expected to be released on the 22nd of January 2022 is likely to show an increase in PLife REIT's gross revenue and distributable income. PLife REIT had reported strong financial performance for the first 3 quarters of FY21; total distributable income had increased on a Y-O-Y basis. A positive earnings report for 4Q21 will serve as a catalyst to drive PLife REIT's share price higher.

Figure 36: High Bed Occupancy Rate Among Public Hospitals in Singapore



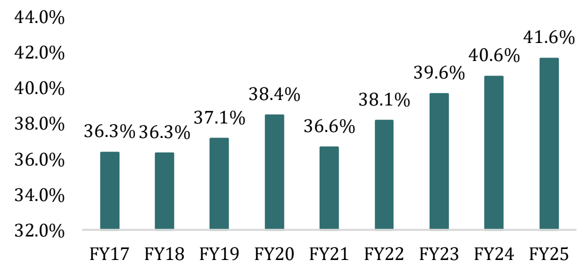
Source: Ministry of Health (MOH)

Figure 37: FY21 Cap IQ Estimates (SGD in Millions)



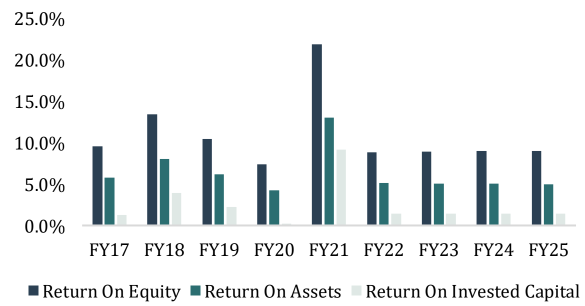
Source: Capital IQ

Figure 38: Debt Gearing over the Years



Source: NUS Investment Society Estimates

Figure 39: Historical & Projected ROE, ROA, ROIC



Source: NUS Investment Society Estimates

Financial Analysis

Parkway Life REIT Financial Analysis									
	Historical				Projected				
Financial Year Ending 31.	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Profitability Ratios									
Net Property Income Margin	93.4%	93.4%	93.9%	93.1%	93.5%	93.5%	93.5%	93.5%	93.5%
EBITDA Margin									
EBIT Margin	80.5%	80.5%	80.9%	78.5%	80.4%	80.4%	80.4%	80.4%	80.4%
Net Income Margin	92.3%	134.6%	107.1%	72.2%	243.3%	97.9%	97.9%	97.4%	97.0%
Return On Equity	9.5%	13.4%	10.4%	7.4%	21.8%	8.8%	8.9%	9.0%	9.0%
Return On Assets	5.7%	8.0%	6.2%	4.2%	13.0%	5.2%	5.1%	5.0%	5.0%
Return On Invested Capital	1.3%	3.9%	2.2%	0.3%	9.1%	1.5%	1.4%	1.4%	1.4%
Liquidity Ratios									
Current Ratio	1.00	1.51	0.33	0.37	0.16	0.45	0.35	0.17	0.61
Quick Ratio	1.00	1.50	0.33	0.21	0.16	0.45	0.35	0.17	0.61
Cash Ratio	0.71	1.00	0.21	0.12	0.10	0.29	0.23	0.08	0.07
Activity Ratios									
Total Asset Turnover	0.12	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05
Receivables Turnover	20.17	10.21	9.94	8.05	7.77	8.98	8.99	9.00	9.00
Financial Leverage Ratios									
Long-Term Debt To Assets	35.4%	36.3%	33.1%	30.4%	26.7%	35.4%	35.6%	34.8%	41.6%
Long-Term Debt To Equity	58.9%	60.5%	56.1%	53.1%	44.8%	60.8%	62.6%	62.2%	75.4%
Debt To Assets (Gearing)	36.3%	36.3%	37.1%	38.4%	36.6%	38.1%	39.6%	40.6%	41.6%
Debt To Equity	60.4%	60.5%	62.9%	67.1%	61.4%	65.4%	69.6%	72.5%	75.5%
Interest Coverage	11.12	13.49	14.10	18.13	23.40	26.97	40.58	50.57	70.56
Shareholder Returns									
Earnings Per Share (Cents)	16.77	25.11	20.4	14.42	50.30	20.84	21.51	22.12	22.75
Dividend Per Share (Cents)	13.03	12.97	13.13	13.56	15.07	14.95	15.44	15.87	16.33
Dividend Payout Ratio	77.7%	51.7%	64.4%	94.0%	30.0%	71.8%	71.8%	71.8%	71.8%

The chart above reveals PLife REIT financial condition prospects for the next five years, highlighting our assumptions. Most indicators yield positive and favourable trends that are supportive of the overall BUY recommendation.

Increasing leverage to support future acquisitions

The FY21 gearing ratio (debt-to-assets ratio) is estimated to be 36.5%, which is lower than the historical average of 37.0% (from 2017 to 2020), due to one-time extraordinary increase in fair gain value of a net USD239 million, following an uplift in Singapore properties' valuation highlighted in 3Q21 investor presentation. Subsequently, the gearing ratio is increased by 1.5% year-on-year in FY22 & FY23 before tapering down to 1% increase in FY24 & FY25. This is in line with PLife REIT's strategy to increase acquisitions in its existing markets as well as potentially a new market. Moreover, the gearing ratio in FY25 is expected to be 41.5%, which still stays well below the regulatory limit of 50%. It is also noted that PLife REIT indicated possibility of doing equity financing to ensure a healthy gearing ratio in 3Q21 investor presentation, but there is too little disclosure to factor this in the projection as of now.

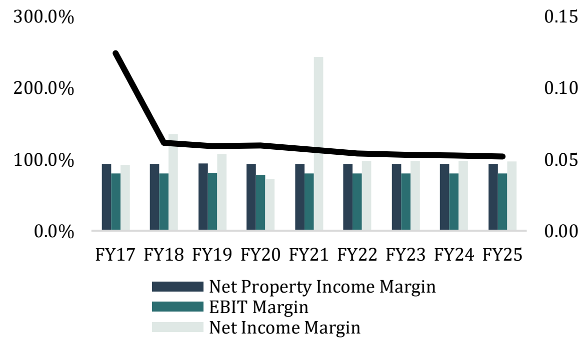
Stable net margins and asset turnover ratio

As costs are expected to increase in a relatively proportional trend to gross revenue, Net Property Income margin, EBIT margin & Net Income margin remain stable over the years, except for FY21 due to the extraordinary increase in fair gain value. Similarly, asset turnover ratio also stabilizes at 0.5, which is slightly lower than historical average of 0.6. This is due to the expected increase in total value of Investment Properties in the coming years.

Higher Earnings per share to provide for increasing dividend per share

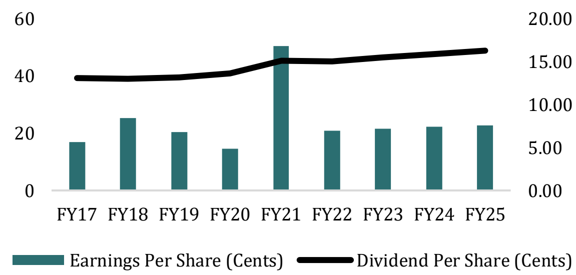
With positive rental reversion trend and extensive acquisition plans which contribute positively to its top line and bottom line figures, PLife REIT's year-over-year Earnings Per Share and Dividend Per Share are expected to see increase year-over-year.

Figure 40: Profitability Margins and Total Asset Turnover over the years



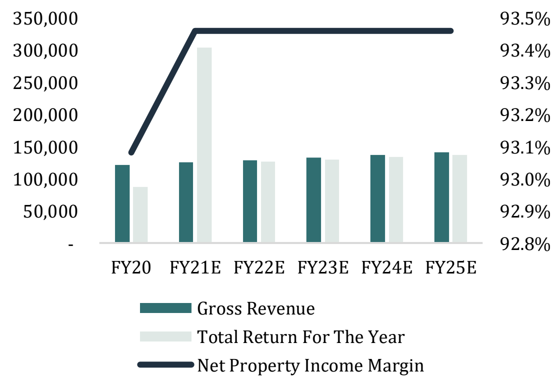
Source: NUS Investment Society Estimates

Figure 41: Earnings Per Share (SGD in cents) vs Dividend Per Share (SGD in cents)



Source: NUS Investment Society Estimates

Figure 42: Increasing Gross Revenue



Source: NUS Investment Society Estimates

Valuation

Valuation Price Target: **S$6.02**

DDM model

A Dividend Discount Model was utilised to estimate the intrinsic value of PLife REIT's share price. Our model adopts a 5-year forecast period, given the infeasibility and difficulty of projecting acquisitions and divestments on a longer-term basis. We assumed no new acquisitions and divestments for the period forecasted for both the Singapore and Malaysia market. For the Japan market, we assumed that the total number of properties will increase by 3 each year for the period forecasted. To calculate the future dividend payments, we took reference to its average historical payout ratio. For FY21, we projected a payout ratio of 30% to offset the extraordinary increase in fair gain value, arising from the valuation uplift management highlighted in their 3Q21 investor presentation. In the subsequent 4 periods forecasted, we projected the payout ratio to be the historical average of FY17-FY20's payout ratio. The PV of future dividends is discounted by Cost of Equity (CAPM).

Revenue projections

Revenues for properties in Singapore, Japan and Malaysia are projected separately to arrive at the Gross Revenue.

Since all PLife REIT's properties have consistently achieved 100% occupancy rate, this factor is assumed to stay the same, and hence not affecting the revenue projections. Properties in Singapore has gross revenue estimated using the capitalization rate, which is the percentage of gross revenue to properties' valuation. Next, properties' valuation is expected to enjoy a growing appreciation rate year-over-year due to Renewal CapEx taking place from 2023 to 2025 that is going to improve the functionalities, aesthetics, and sustainability of the buildings.

Japan properties' gross revenue are estimated using bottom-line approach, starting from the gross revenue per unit (room) multiplied by the total of units available, which is projected based on the historical average number of units per property and total number of properties after accounting for new acquisitions.

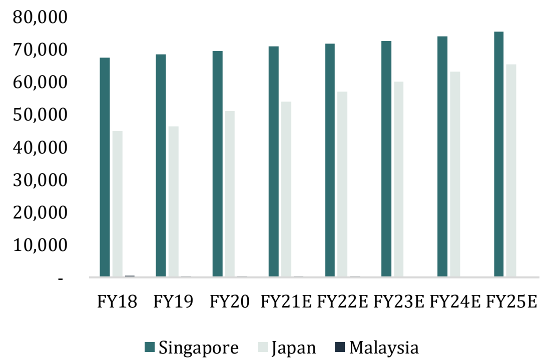
Malaysia property is estimated using the historical average growth of 13.8%. This is expected as Malaysia market is not a key focus of PLife REIT going forward.

Revenue growth

The historical gross revenue growth from FY18 – FY20 for PLife REIT's Singapore market is around 1.5%. We believe that the Company's Master Lease Renewal will propel further growth moving forward and thus, we forecast that the gross revenue growth in the projection period will be slightly higher, at an average of 1.7%. As part of the Master Lease Renewal Agreement, PLife REIT will benefit from a fixed rental step-up till FY25 and from FY26 – FY42, a minimum of 1.0% rental growth is guaranteed. That being said, we recognise the potential risks involved arising from the Omicron variant, which might damper the recovery of medical tourism in the near term. As such, we adopted a conservative projection in FY22, where we expect to see gross revenue growth of 0.9%.

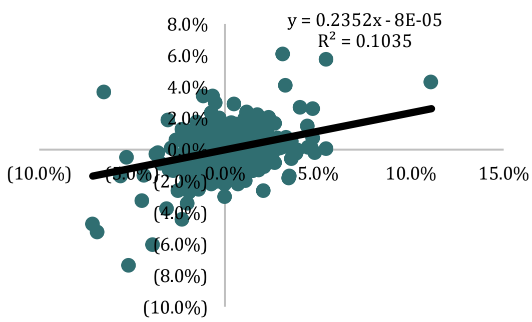
For the Japan market, the historical gross revenue growth from FY18 – FY20 is around 6.0%. This had primarily been driven by PLife REIT's successful acquisition of nursing homes; the Company's total number of properties in Japan had increased from 45 in FY17 to 49 in FY20. Moving forward, management has highlighted that they intend to

Figure 43: Gross Revenue Projections



Source: NUS Investment Society Estimates

Figure 44: Beta Regression



Source: NUS Investment Society Estimates

Figure 45: Cost of Equity Build-Up

Cost Of Equity	4.2%
Risk-Free Rate	1.7%
Beta	0.24
Adjusted Beta	0.49
Blended Market Risk Premium	5.0%
Market Risk Premium (Singapore)	4.7%
Market Risk Premium (Japan)	5.4%

Source: NUS Investment Society Estimates, Damodaran, MAS

Figure 46: Sensitivity Table

		Long-Term Growth Rate				
		1.00%	1.25%	1.50%	1.75%	2.00%
Cost Of Equity	3.59%	6.31	6.93	7.68	8.65	9.92
	3.89%	5.68	6.16	6.74	7.46	8.37
	4.19%	5.16	5.55	6.02	6.57	7.26
	4.49%	4.74	5.06	5.43	5.87	6.41
	4.79%	4.38	4.65	4.96	5.32	5.74

Source: NUS Investment Society Estimates

consolidate assets in Japan, so as to generate operating synergies and derive further cost savings. We believe that the Company will divest its non-core properties, while focusing on acquiring more nursing homes that are deemed to be strategically located, which will bring in more revenue for PLife REIT. As such, we forecasted that the total number of properties will increase by 3 each year in the projection period. Coupled with the fact that Japan has an ageing population, the importance of nursing homes will be heightened. We expect gross revenue growth for FY21 to be at 5.4% and this will increase slightly in FY22 & FY23, before declining to 4.9% in FY25. The projection of gross revenue per unit has been forecasted prudently to remain the same at its historical average of approximately USD13,000 since there is little indication from the past trend, as well as management's guidance to project otherwise. As of 3Q21, 46 Japan Properties have market revision with downside protection, 4 Japan Properties have market revision every 2-3 years subject to the Lessor/Lessee mutual agreement, and 1 Japan Property has an annual revision linked to Japan CPI. This will help PLife REIT to sustain rental growth moving forward.

We do not expect the Company's Malaysia Property to do well based on its historical gross revenue growth of -13.8%. As Malaysia only accounts for 0.2% of PLife REIT's gross revenue, the impact on the top-line will be immaterial.

Cost of equity

CAPM was used to estimate the Cost of Equity. We obtained the equity market risk premium of Singapore and Japan from Professor Damodaran's website, which currently stands at 4.5% and 5.4% respectively. We then employed a blended approach to obtain the blended equity market risk premium, considering the fact that PLife REIT has substantial operations in both of these countries. We weighted them based on the percentage of revenue in each geography to derive a blended equity market risk premium of 5.0%. Risk-free rate of 1.7% was used and is in line with the current yields on 10-year Singapore government bonds. Beta was calculated by regressing PLife REIT's daily returns against the STI Index's daily returns for the past 5 years to derive a beta of 0.24, which was then adjusted using the Bloomberg formula to get 0.49. Cost of Equity was calculated to be 4.2%.

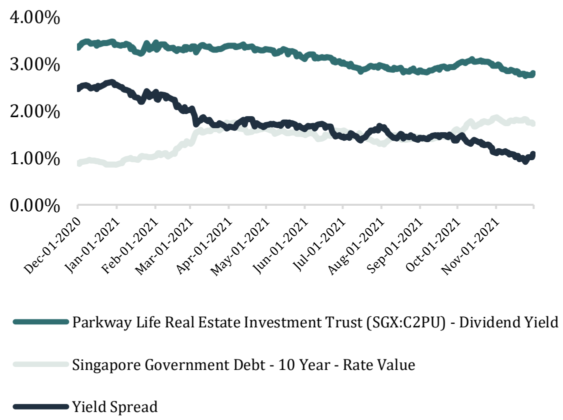
Terminal growth

In our DDM model, a long-term growth rate of 1.5% was used. Singapore's Ministry of Trade and Industry ("MTI") had reported that the GDP growth is likely to come in at around 7.0% in 2021, and will slow to between 3.0% and 5.0% in 2022 as a result of the uneven recovery and lingering uncertainty over global growth. Afterwards, Statista estimates the GDP growth rate to be around 2.5% from 2023 to 2025. We also note that in 3Q21, Japan's economy shrank at an annualised rate of 3.0%, which was worse than the 0.8% contraction that economists had predicted. According to the OECD, Japan's economy is projected to grow by 1.8% in 2021, 3.4% in 2022 and 1.1% in 2023. In light of these projections, we expect the long-term growth rate to remain strong, albeit lower than the gross revenue growth that we observe in the projection period. As such, in our dividend discount model, we adopted a conservative terminal growth rate of 1.5% to reflect these considerations.

Yield spread analysis

A yield spread analysis of PLife REIT's dividend yield against that of the 10-year SGS yield was performed. The current spread sits at 1.1%, versus a historical average of 1.7%. We expect a mean reversion with management highlighting that one of their key objectives is to

Figure 47: Yield Spread of PLife REIT vs SGS



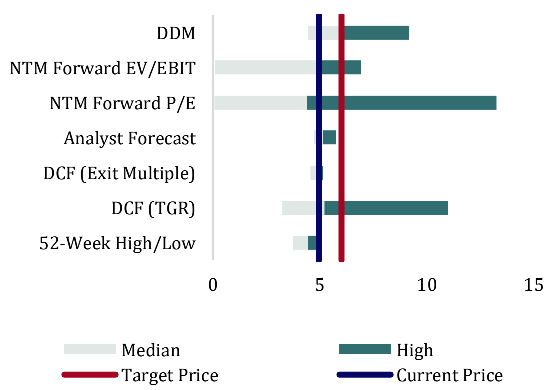
Source: Capital IQ

Figure 48: Comparable Company Analysis

Relative Valuation	NTM Forward P/E	NTM Forward EV/EBIT
Median	**21.68x**	**38.02x**
Average	**24.44x**	**29.00x**
Parkway Life Real Estate Investment Trust	34.80x	38.20x
RHT Health Trust	0.40x	11.10x
Daiwa Securities Living Investment Corporation	29.70x	38.02x
Al-'Aqar Healthcare REIT	13.66x	
First Real Estate Investment Trust	2.70x	8.20x
Amvis Holding, Inc.	65.37x	49.50x

Source: Capital IQ, Koyfin

Figure 49: Relative Valuation & Street Estimates



Source: NUS Investment Society Estimates

maintain stability of distributions and net asset value through prudent capital management. Furthermore, in 3Q21, PLife REIT extended its Japan net income hedge till 3Q26, which will enhance the stability of distributions to Unitholders. We expect PLife REIT's Master Lease Renewal for its Singapore Properties to bring about an increase in gross revenue stability. A 1-year lookback period was adopted to account for changes in portfolio composition, which includes a divestment of non-core property in Japan and an acquisition of 2 nursing homes in Japan.

Relative valuation

We performed a RV to provide a sanity check on our primary DDM valuations by using a football field. We benchmarked PLife REIT to industry peers with similar revenue mix and geographical exposure. The industry peers are listed on the Singapore, Japan and Malaysia exchanges. This includes RHT Health Trust (SGX:RF1U), Healthcare & Medical Investment Corporation (TSE:3455), Daiwa Securities Living Investment Corporation (TSE:8986), Al-'Aqar Healthcare REIT (KLSE:ALAQAR), First Real Estate Investment Trust and Amvis Holding, Inc. (JASDAQ:7071). Our primary comparable metrics included the NTM P/E and NTM EV/EBIT along with DCF (perpetual growth method & exit multiple method), street estimates from various reputable sources. Our target price of S$6.02 was validated as it lies within the 50^{th} - 75^{th} Percentile Ranges of the P/E price ranges, and within the 75^{th} – 90^{th} Percentile Ranges of the EV/EBIT price ranges. The intrinsic value of S$6.02 represents a 21.3% upside. We remain confident that this valuation reaffirms our BUY recommendation.

Investment Risks

<u>Market Risk 1 (M1)</u>

Rising trend of telemedicine

Increasing adoption of telemedicine in Singapore poses risk of making traditional healthcare system become more obsolete.

However, it is believed that there is still a mixed reaction towards telemedicine which indicates that the mass is not fully ready to take up this new service. In a "Digital Doctor 2020" report conducted by IPSOS, it was found that 23% of Singaporeans surveyed are willing to use telemedicine, while 32% are not willing to use. Moreover, telemedicine cannot replace more advanced treatment like sample testing & surgery.

<u>Business Risk 2 (B2)</u>

Portfolio concentration risk

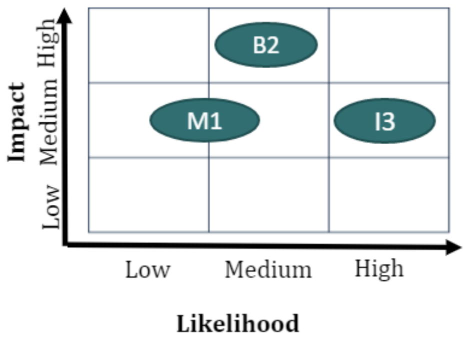
Despite having a large portfolio of properties, 84.7% of PLife REIT's earnings are concentrated among top 10 operators. This poses an operational risk in the event of soured relationship.

To mitigate the risk, PLife REIT has been making constant and sustained effort to maintain good partnerships with operators, as well as carrying out periodic review of the existing lessees, including checks on their financial status or credit default risk. Moreover, 3 to 6 months' security deposits are collected in advance for Japan properties. Also, an additional security deposit is required should the occupancy rate drop below a certain percentage.

<u>Investment Risk 3 (I3)</u>

Low ESG ranking and rating

Figure 50: Investment Risk Matrix



Source: NUS Investment Society Estimates

According to Refinitiv, PLife REIT scored a D+ in its overall ESG rankings in 2020. The score is split into Environmental (D-), Social (D+), and Governance (C+). The company is also ranked 88th out of 95 companies in Singapore and 25th out of the 26 REITs listed in the country. PLife REIT's poor score is attributable to its low Environment scores with low environmental innovation, emissions & resource use scores, as well as low Social scores with low human rights score. As sustainable investing becomes an increasingly important criteria for investors, low ESG scores may undermine PLife REIT's attractiveness in the eyes of potential investors.

To improve its ESG ratings in the future, PLife REIT has established a Sustainability Steering Committee in 2017 and has met its internal targets set for 2020. Also, we believe that PLife REIT's announcement of a renewal CAPEX agreement for its Singapore hospitals would enable it to improve its ESG scores significantly once completed. This is done by future-proofing its properties through: 1) Improvement works on safety features and utilities infrastructure, 2) Eco-friendly features and enhancement of building through Singapore's Green Mark certification, 3) Technological upgrades on building management systems, and 4) Refreshed aesthetics and experience of the space. Furthermore, PLife REIT's management, product responsibility, and workforce have been positively ranked in their respective categories.

Disclaimer

Appendix:

Pro-Forma Financial Statements

Parkway Life REIT
Pro-Forma Financial Statements
($ In Thousands, Except Per Share Data)

	Historical				Projected				
Financial Year Ending 31 December	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Statement Of Total Return									
Gross Revenue	109,881	112,838	115,222	120,892	125,094	128,799	132,872	137,314	140,839
yOy growth		2.69%	2.11%	4.92%	3.48%	2.96%	3.16%	3.34%	2.57%
Property Expenses	(7,232)	(7,434)	(6,997)	(8,364)	(8,182)	(8,424)	(8,690)	(8,981)	(9,211)
Net Property Income	102,649	105,404	108,225	112,528	116,913	120,375	124,182	128,333	131,628
yOy growth		2.68%	2.68%	3.98%	3.90%	2.96%	3.16%	3.34%	2.57%
Management Fees	(11,151)	(11,402)	(11,881)	(12,647)	(12,830)	(13,210)	(13,628)	(14,084)	(14,445)
Trust Expenses	(3,086)	(3,184)	(3,074)	(3,739)	(3,562)	(3,668)	(3,784)	(3,910)	(4,011)
Interest Income	-	6	10	7	7	7	7	7	7
Finance Costs	(7,952)	(6,734)	(6,617)	(5,237)	(4,296)	(3,837)	(2,631)	(2,182)	(1,614)
Foreign Exchange Gain/(Loss), Net	1,583	991	(114)	90	718	739	763	788	809
Other Expenses	-	-	-	(1,218)	-	-	-	-	-
Total Return Before Changes In Fair Value Of Financial Derivatives And Investment Properties	82,043	85,081	86,549	89,784	96,950	100,407	104,909	108,953	112,374
Net Change In Fair Value Of Financial Derivatives	1,954	(2,256)	2,436	(823)	328	328	328	328	328
Net Change In Fair Value Of Investment Properties	25,970	77,888	43,019	7,428	239,000	38,576	38,576	38,576	38,576
Total Return Before Income Tax	109,967	160,713	132,004	96,389	336,278	139,311	143,813	147,857	151,278
Income Tax Expense	(8,503)	(8,781)	(8,607)	(9,165)	(31,974)	(13,246)	(13,674)	(14,059)	(14,384)
Total Return For The Year	**101,464**	**151,932**	**123,397**	**87,224**	**304,303**	**126,064**	**130,139**	**133,798**	**136,894**
Earnings Per Unit (Cents)									
Basic	16.77	25.11	20.40	14.42	50.30	20.84	21.51	22.12	22.63
Basic Shares Outstanding	605,002	605,002	605,002	605,002	605,002	605,002	605,002	605,002	605,002
Diluted	16.77	25.11	20.40	14.42	50.30	20.84	21.51	22.12	22.63
Diluted Shares Outstanding	605,002	605,002	605,002	605,002	605,002	605,002	605,002	605,002	605,002
Statement Of Financial Position									
Non-Current Assets									
Investment Properties	1,731,063	1,860,534	1,966,140	1,991,019	2,291,212	2,400,207	2,512,552	2,628,350	2,747,706
Interests In Subsidiaries	-	-	-	-	-	-	-	-	-
Financial Derivatives	3,531	237	3,018	4,362	3,019	3,109	3,207	3,314	3,399
Total Non-Current Assets	**1,734,594**	**1,860,771**	**1,969,158**	**1,995,381**	**2,294,231**	**2,403,315**	**2,515,759**	**2,631,664**	**2,751,106**
Current Assets									
Financial Derivatives	13	44	28	-	23	24	25	26	26
Trade And Other Receivables	10,894	11,211	11,971	18,060	14,129	14,547	15,007	15,509	15,907
Cash And Cash Equivalents	25,720	22,102	21,870	22,658	26,431	26,023	29,640	14,985	1,539
Asset Held For Sale	-	-	-	30,872	-	-	-	-	-
Total Current Assets	**36,627**	**33,357**	**33,869**	**71,590**	**40,583**	**40,595**	**44,672**	**30,519**	**17,473**
Total Assets	**1,771,221**	**1,894,128**	**2,003,027**	**2,066,971**	**2,334,814**	**2,443,910**	**2,560,431**	**2,662,183**	**2,768,578**
Current Liabilities									
Financial Derivatives	163	352	2,496	2,266	1,407	1,448	1,494	1,544	1,584
Trade And Other Payables	19,451	20,799	21,940	26,867	24,208	24,924	25,713	26,572	27,254
Current Portion Of Security Deposits	940	1,000	697	608	608	608	608	608	608
Loans And Borrowings	15,900	-	77,745	163,022	229,744	64,021	100,982	152,185	-
Tax Payables	1	2	2	2	2	2	2	2	2
Lease Liabilities	-	-	14	14	14	14	14	14	14
Total Current Liabilities	**36,455**	**22,153**	**102,894**	**192,779**	**255,982**	**91,018**	**128,813**	**180,925**	**29,462**
Non-Current Liabilities									
Financial Derivatives	1,224	4,002	817	261	1,576	1,576	1,576	1,576	1,576
Non-Current Portion Of Security Deposits	18,076	19,442	18,139	19,940	19,940	19,940	19,940	19,940	19,940
Loans And Borrowings	626,382	683,183	662,288	628,502	622,463	864,665	910,388	925,999	1,148,960
Deferred Tax Liabilities	23,744	28,955	32,598	37,658	37,658	37,658	37,658	37,658	37,658
Deferred Income	-	-	2,316	2,103	2,103	2,103	2,103	2,103	2,103
Lease Liabilities	-	-	2,127	2,113	2,113	2,113	2,113	2,113	2,113
Total Non-Current Liabilities	**669,426**	**735,582**	**718,285**	**690,577**	**685,853**	**928,055**	**973,778**	**989,389**	**1,212,350**
Total Liabilities	**705,881**	**757,735**	**821,179**	**883,356**	**941,835**	**1,019,072**	**1,102,591**	**1,170,314**	**1,241,812**
Net Assets	**1,065,340**	**1,136,393**	**1,181,848**	**1,183,615**	**1,392,979**	**1,424,838**	**1,457,840**	**1,491,869**	**1,526,766**
Unitholders' Funds									
Unitholders' Funds At Beginning Of Year	1,037,636	1,065,340	1,136,393	1,181,848	1,183,615	1,392,979	1,424,838	1,457,840	1,491,869
Total Return For The Year	101,464	151,932	123,397	87,224	303,975	125,737	129,811	133,470	136,566
Distribution To Unitholders	(78,832)	(78,469)	(79,437)	(82,038)	(91,193)	(90,459)	(93,390)	(96,022)	(98,249)
Net Movement In Hedging Reserve	1,012	1,424	322	(2,582)	(2,582)	(2,582)	(2,582)	(2,582)	(2,582)
Net Movement In Cost Of Hedging Reserve	-	-	301	76	76	76	76	76	76
Exchange Differences On Hedge Of Net Investment In Foreign Operations	20,757	(26,291)	487	(19,692)	(19,692)	(19,692)	(19,692)	(19,692)	(19,692)
Translation Differences Arising On Consolidation Of Foreign Operations	(16,697)	22,457	385	18,779	18,779	18,779	18,779	18,779	18,779
Unitholders' Funds At End Of Year	**1,065,340**	**1,136,393**	**1,181,848**	**1,183,615**	**1,392,979**	**1,424,838**	**1,457,840**	**1,491,869**	**1,526,766**
Balance Check:	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*	*OK*

Consolidated Statement Of Cash Flows									
Operating Activities									
Total Return Before Income Tax	109,967	160,713	132,004	96,389	336,278	139,311	143,813	147,857	151,278
Adjustments For:									
Interest Income	-	(6)	(10)	(7)	(7)	(7)	(7)	(7)	(7)
Finance Costs	7,952	6,734	6,617	5,237	4,296	3,837	2,631	2,182	1,614
Net Change In Fair Value Of Financial Derivatives	(1,954)	2,256	(2,436)	823	(328)	(328)	(328)	(328)	(328)
Net Change In Fair Value Of Investment Properties	(25,970)	(77,888)	(43,019)	(7,428)	(239,000)	(38,576)	(38,576)	(38,576)	(38,576)
Deferred Income Recognised	-	-	(251)	(257)	-	-	-	-	-
Operating Income Before Working Capital Changes	**89,995**	**91,809**	**92,905**	**94,757**	**101,238**	**104,237**	**107,533**	**111,128**	**113,981**
Changes In Working Capital:									
Trade And Other Receivables	(447)	(264)	(765)	(6,048)	36,122	(509)	(559)	(610)	(484)
Trade And Other Payables	(1,876)	821	1,060	5,880	(2,204)	759	834	909	722
Security Deposits	1,109	583	993	788	-	-	-	-	-
Cash Generated From Operations	**88,781**	**92,949**	**94,193**	**95,377**	**135,157**	**104,487**	**107,808**	**111,427**	**114,219**
Income Tax Paid	(8,035)	(4,599)	(4,945)	(5,065)	(31,974)	(13,246)	(13,674)	(14,059)	(14,384)
Cash Flows Generated From Operating Activities	**80,746**	**88,350**	**89,248**	**90,312**	**103,182**	**91,240**	**94,134**	**97,369**	**99,835**
Investing Activities									
Interest Received	-	6	10	7	7	7	7	7	7
Capital Expenditure On Investment Properties	(5,261)	(6,629)	(9,633)	(4,579)	(9,721)	(11,187)	(11,719)	(12,268)	(12,833)
Cash Outflow On Purchase Of Investment Properties (Including Acquisition Related Costs)	(65,189)	(21,153)	(51,518)	(24,003)	(51,471)	(59,232)	(62,049)	(64,954)	(67,947)
Divestment Related Cost Paid	(720)	-	-	-	-	-	-	-	-
Cash Flows Used In Investing Activities	**(71,170)**	**(27,776)**	**(61,141)**	**(28,575)**	**(61,186)**	**(70,412)**	**(73,762)**	**(77,215)**	**(80,774)**
Financing Activities									
Borrowing Costs Paid	(50)	(616)	(1,131)	(1,650)	-	-	-	-	-
Interest Paid	(7,256)	(6,133)	(5,441)	(5,101)	(4,296)	(3,837)	(2,631)	(2,182)	(1,614)
Distributions To Unitholders	(78,832)	(78,469)	(79,437)	(82,038)	(91,193)	(90,459)	(93,390)	(96,022)	(98,249)
Proceeds From Loans And Borrowings	210,971	217,211	239,997	128,191	223,705	306,223	146,705	167,796	222,961
Repayment Of Loans And Borrowings	(237,009)	(239,892)	(182,428)	(100,834)	(163,022)	(229,744)	(64,021)	(100,982)	(152,185)
Proceeds From Issue Of Medium Term Notes	59,300	43,190	-	-	-	-	-	-	-
Repayment Of Lease Liabilities	-	-	(2)	(32)	-	-	-	-	-
Cash Flows Used In Financing Activities	**(52,876)**	**(64,709)**	**(28,442)**	**(61,464)**	**(34,805)**	**(17,817)**	**(13,337)**	**(31,390)**	**(29,088)**
Net Increase/(Decrease) In Cash And Cash Equivalents	**(43,300)**	**(4,135)**	**(335)**	**273**	**7,192**	**3,012**	**7,035**	**(11,236)**	**(10,027)**
Cash And Cash Equivalents At Beginning Of Year	69,184	25,462	21,832	21,870	22,658	26,431	26,023	29,640	14,985
Effects Of Exchange Differences On Cash Balances	(422)	505	373	515	(3,419)	(3,419)	(3,419)	(3,419)	(3,419)
Cash And Cash Equivalents At End Of Year	**25,462**	**21,832**	**21,870**	**22,658**	**26,431**	**26,023**	**29,640**	**14,985**	**1,539**

Drivers

Parkway Life REIT										
Drivers										
($ In Thousands, Except Per Share Data)			**Historical**					**Projected**		
Financial Year Ending 31 December		**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Income Statement Drivers										
Gross Revenue		109,881	112,838	115,222	120,892	125,094	128,799	132,872	137,314	140,839
Net Property Income		102,649	105,404	108,225	112,528	116,913	120,375	124,182	128,333	131,628
Revenue Build										
Singapore		66,365	67,471	68,493	69,457	70,959	71,590	72,584	73,955	75,425
Growth			1.7%	1.5%	1.4%	2.2%	0.9%	1.4%	1.9%	2.0%
Japan		43,014	44,845	46,363	51,126	53,869	56,980	60,091	63,189	65,267
Growth			4.3%	3.4%	10.3%	5.4%	5.8%	5.5%	5.2%	3.3%
Malaysia		502	522	366	309	266	229	198	170	147
Growth			4.0%	-29.9%	-15.6%	-13.8%	-13.8%	-13.8%	-13.8%	-13.8%
Net Property Income Margin		93.4%	93.4%	93.9%	93.1%	93.5%	93.5%	93.5%	93.5%	93.5%
Singapore										
The Mount Elizabeth Hospital Property										
Land Tenure	Leasehold									
Floor Area	*sq m*				58,139					
Changes										
Committed Occupancy	*%*	100	100	100	100	100	100	100	100	100
Valuation	*000 S$*	675,500	718,700	749,000	751,000	754,004	760,790	771,441	786,098	801,820
Appreciation Rate			6.4%	4.2%	0.3%	0.4%	0.9%	1.4%	1.9%	2.0%
Gross Revenue		41,286	41,826	42,438	43,054	43,978	44,374	44,995	45,850	46,767
Estimated Capitalization Rate		6.1%	5.8%	5.7%	5.7%	5.8%	5.8%	5.8%	5.8%	5.8%
The Gleneagles Hospital Property										
Land Tenure	Leasehold									
Floor Area	*sq m*				49,003					
Changes										
Committed Occupancy	*%*	100	100	100	100	100	100	100	100	100
Valuation	*000 S$*	355,800	378,500	394,000	395,000	396,580	400,149	405,751	413,461	421,730
Appreciation Rate			6.4%	4.1%	0.3%	0.4%	0.9%	1.4%	1.9%	2.0%
Gross Revenue		21,517	21,799	22,117	22,438	22,903	23,109	23,433	23,878	24,356
Estimated Capitalization Rate		6.0%	5.8%	5.6%	5.7%	5.8%	5.8%	5.8%	5.8%	5.8%

The Parkway East Hospital Property

Land Tenure	Leasehold									
Floor Area	*sq m*				10,994					
Changes										
Committed Occupancy	*%*	100	100	100	100	100	100	100	100	100
Valuation	*000 S$*	56,900	63,200	67,700	67,800	67,936	68,411	69,232	70,409	71,676
Appreciation Rate			11.1%	7.1%	0.1%	0.2%	0.7%	1.2%	1.7%	1.8%
Gross Revenue		3,563	3,846	3,937	3,965	4,078	4,106	4,156	4,226	4,302
Estimated Capitalization Rate		6.3%	6.1%	5.8%	5.8%	6.0%	6.0%	6.0%	6.0%	6.0%

Japan

Properties

						336,278	**139,311**	**143,813**	**147,857**	**151,278**
Total No. of Properties	*units*	45	45	48	49	52	55	58	61	63
Growth			-	3	1	3	3	3	3	2
Acquisitions			-	3	1	4	3	3	3	3
Divestments			-	-	-	1	-	-	-	1
Total Number Of Units	*rooms*	3,486	3,606	3,995	3,995	4,225	4,469	4,713	4,956	5,119
Average Units Per Property		78	81	84	82	81	81	81	81	81
Gross Revenue		43,014	44,845	46,363	51,126	53,869	56,980	60,091	63,189	65,267
Average Gross Revenue Per Room		13	13	12	13	13	13	13	13	13
Growth			0%	-8%	8%	-2%	0%	0%	0%	0%

Cost Build

Property Expense Drivers									
Operations And Maintenance Expenditure	4,429	4,488	3,993	5,039	4,887	5,032	5,191	5,364	5,502
As A % Of Property Expenses	61.2%	60.4%	57.1%	60.2%	59.7%	59.7%	59.7%	59.7%	59.7%
Property Tax	2,753	2,898	2,975	3,289	3,250	3,346	3,452	3,567	3,659
As A % Of Property Expenses	38.1%	39.0%	42.5%	39.3%	39.7%	39.7%	39.7%	39.7%	39.7%
Property And Lease Management Fees	15	16	11	9	14	14	15	15	16
As A % Of Property Expenses	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
Marketing Services Commission	17	14	-	8	11	11	11	12	12
As A % Of Property Expenses	0.2%	0.2%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Others	18	18	18	19	20	21	21	22	22
As A % Of Property Expenses	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Other Income And Expenses Drivers									
Management Fees	11,151	11,402	11,881	12,647	12,830	13,210	13,628	14,084	14,445
As A % Of Gross Revenue	10.1%	10.1%	10.3%	10.5%	10.3%	10.3%	10.3%	10.3%	10.3%
Trust Expenses	3,086	3,184	3,074	3,739	3,562	3,668	3,784	3,910	4,011
As A % Of Gross Revenue	2.8%	2.8%	2.7%	3.1%	2.8%	2.8%	2.8%	2.8%	2.8%
Finance Costs	7,952	6,734	6,617	5,237	4,296	3,837	2,631	2,182	1,614
Foreign Exchange Gain/(Loss), Net	1,583	991	(114)	90	718	739	763	788	809
As A % Of Net Property Income	1.5%	0.9%	-0.1%	0.1%	0.6%	0.6%	0.6%	0.6%	0.6%
Net Change In Fair Value Of Financial Derivatives	1,954	(2,256)	2,436	(823)	328	328	328	328	328
Net Change In Fair Value Of Investment Properties	25,970	77,888	43,019	7,428	239,000	38,576	38,576	38,576	38,576
Income Tax Expense	8,503	8,781	8,607	9,165	31,974	13,246	13,674	14,059	14,384
As A % Of Total Return Before Income Tax	7.7%	5.5%	6.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%

Balance Sheet Drivers

Non-Current Assets									
Financial Derivatives	3,531	237	3,018	4,362	3,019	3,109	3,207	3,314	3,399
As a % Of Net Property Income	3.4%	0.2%	2.8%	3.9%	2.6%	2.6%	2.6%	2.6%	2.6%
Current Assets									
Financial Derivatives	13	44	28	-	23	24	25	26	26
As a % Of Net Property Income	0.01%	0.04%	0.03%	0.00%	0.02%	0.02%	0.02%	0.02%	0.02%
Trade And Other Receivables	10,894	11,211	11,971	18,060	14,129	14,547	15,007	15,509	15,907
As A % of Gross Revenue	9.9%	9.9%	10.4%	14.9%	11.3%	11.3%	11.3%	11.3%	11.3%
Asset Held For Sale	-	-	-	30,872	-	-	-	-	-
Current Liabilities									
Financial Derivatives	163	352	2,496	2,266	1,407	1,448	1,494	1,544	1,584
As a % Of Net Property Income	0.2%	0.3%	2.3%	2.0%	1.2%	1.2%	1.2%	1.2%	1.2%
Trade And Other Payables	19,451	20,799	21,940	26,867	24,208	24,924	25,713	26,572	27,254
As A % of Property Expenses	269%	280%	314%	321%	295.9%	295.9%	295.9%	295.9%	295.9%
Tax Payables	1	2	2	2	2	2	2	2	2
Non-Current Liabilities									
Financial Derivatives	1,224	4,002	817	261	1,576	1,576	1,576	1,576	1,576
Deferred Tax Liabilities	23,744	28,955	32,598	37,658	37,658	37,658	37,658	37,658	37,658
Distribution To Unitholders As A % Of Total Return For The Year	77.7%	51.6%	64.4%	94.1%	30.0%	71.9%	71.9%	71.9%	71.9%
Net Movement In Hedging Reserve	1,012	1,424	322	(2,582)	(2,582)	(2,582)	(2,582)	(2,582)	(2,582)
Net Movement In Cost Of Hedging Reserve	-	-	301	76	76	76	76	76	76
Exchange Differences On Hedge Of Net Investment In Foreign Operatio	20,757	(26,291)	487	(19,692)	(19,692)	(19,692)	(19,692)	(19,692)	(19,692)
Translation Differences Arising On Consolidation Of Foreign Operations	(16,697)	22,457	385	18,779	18,779	18,779	18,779	18,779	18,779

Capital Expenditure & PPE

Investment Properties									
Balance At The Beginning Of The Year		1,731,063	1,860,534	1,966,140	1,991,019	2,291,212	2,400,207	2,512,552	2,628,350
Addition During The Year		51,583	61,151	28,582	61,193	70,419	73,769	77,222	80,781
Addition During The Year As A % Of Investment Properties		3.0%	3.3%	1.5%	3.1%	3.1%	3.1%	3.1%	3.1%
Fair Value Gain		77,888	43,019	7,428	239,000	38,576	38,576	38,576	38,576
Other Adjustments		-	1,436	(11,131)	-	-	-	-	-
Balance At The End Of The Year		1,860,534	1,966,140	1,991,019	2,291,212	2,400,207	2,512,552	2,628,350	2,747,706
Capital Expenditure			(9,633)	(4,579)	(9,721)	(11,187)	(11,719)	(12,268)	(12,833)
As A % Of Addition			15.8%	16.0%	15.9%	15.9%	15.9%	15.9%	15.9%
Cash Outflow On Purchase Of Investment Properties (Including Acquisition Related Costs)			(51,518)	(24,003)	(51,471)	(59,232)	(62,049)	(64,954)	(67,947)
As A % Of Addition			84.2%	84.0%	84.1%	84.1%	84.1%	84.1%	84.1%

Debt Schedule

Parkway Life REIT Debt Schedule *($ In Thousands, Except Per Share Data)* *Financial Year Ending 31 December*		FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
		Historical				Projected				
Summary Table										
Interest Expense		(5,237)	(4,296)	(3,837)	(2,631)	(4,296)	(3,837)	(2,631)	(2,182)	(1,614)
Total Debt Outstanding		642,282	683,183	740,033	791,524	852,207	928,686	1,011,370	1,078,184	1,148,960
Current Portion		15,900	-	77,745	163,022	229,744	64,021	100,982	152,185	-
Non-Current Portion		626,382	683,183	662,288	628,502	622,463	864,665	910,388	925,999	1,148,960
Repayment Of Debt						(163,022)	(229,744)	(64,021)	(100,982)	(152,185)
Issuance Of Debt						223,705	306,223	146,705	167,796	222,961
Target Debt/Asset Ratio (Excluding Cash)		36.8%	36.5%	37.4%	38.7%	36.5%	38.0%	39.5%	40.5%	41.5%
Debt Breakdown										
Issuance Of New Debt										
Average Interest Rate	0.5%									
Opening Balance							-	-	-	-
Addition						60,683	76,479	82,684	66,814	70,776
Paydown							-	-	-	-
Ending Balance						-	76,479	82,684	66,814	70,776
Interest Expense						-	405	438	354	375
S$ Variable Rate Loan 2021										
Interest Rate	0.5%									
Year Due	2021									
Opening Balance						2,850	-	-	-	-
(-) Mandatory Repayment						(2,850)	-	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					2,850	-	-	-	-	-
Interest Payment						15	-	-	-	-
JPY Variable Rate Loan 2021										
Interest Rate	0.5%									
Year Due	2021									
Opening Balance						26,978	-	-	-	-
(-) Mandatory Repayment						(26,978)	-	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					26,978	-	-	-	-	-
Interest Payment						143	-	-	-	-
S$ Floating Rate Loans 2021										
Interest Rate	0.5%									
Year Due	2021									
Opening Balance						49,973	-	-	-	-
(-) Mandatory Repayment						(49,973)	-	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					49,973	-	-	-	-	-
Interest Payment						265	-	-	-	-
JPY Floating Rate Loan 2021										
Interest Rate	0.5%									
Year Due	2021									
Opening Balance						83,221	-	-	-	-
(-) Mandatory Repayment						(83,221)	-	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					83,221	-	-	-	-	-
Interest Payment						441	-	-	-	-
S$ Floating Rate Loan 2022										
Interest Rate	0.5%									
Year Due	2022									
Opening Balance						74,866	74,866	-	-	-
(-) Mandatory Repayment						-	(74,866)	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					74,866	74,866	-	-	-	-
Interest Payment						397	397	-	-	-
JPY Floating Rate Loan 2022										
Interest Rate	0.5%									
Year Due	2022									
Opening Balance						112,616	112,616	-	-	-
(-) Mandatory Repayment						-	(112,616)	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					112,616	112,616	-	-	-	-
Interest Payment						597	597	-	-	-
JPY Medium Term Notes 2022										
Interest Rate	0.6%									
Year Due	2022									
Opening Balance						42,262	42,262	-	-	-
(-) Mandatory Repayment						-	(42,262)	-	-	-
(-) Paydown						-	-	-	-	-
Ending Balance					42,262	42,262	-	-	-	-

Assumptions:	
Average Cost Of Debt	0.5%

JPY Medium Term Notes 2023							
Interest Rate	0.6%						
Year Due	2023						
Opening Balance			64,021	64,021	64,021	-	-
(-) Mandatory Repayment			-	-	(64,021)	-	-
(-) Paydown			-	-	-	-	-
Ending Balance		64,021	64,021	64,021	-	-	-
Interest Payment			365	365	365	-	-
JPY Medium Term Notes 2024							
Interest Rate	0.7%						
Year Due	2024						
Opening Balance			44,815	44,815	44,815	44,815	-
(-) Mandatory Repayment			-	-	-	(44,815)	-
(-) Paydown			-	-	-	-	-
Ending Balance		44,815	44,815	44,815	44,815	-	-
Interest Payment			291	291	291	291	-
JPY Floating Rate Loan 2024							
Interest Rate	0.5%						
Year Due	2024						
Opening Balance			56,167	56,167	56,167	56,167	-
(-) Mandatory Repayment			-	-	-	(56,167)	-
(-) Paydown			-	-	-	-	-
Ending Balance		56,167	56,167	56,167	56,167	-	-
Interest Payment			298	298	298	298	-
JPY Floating Rate Loan 2025							
Interest Rate	0.5%						
Year Due	2025						
Opening Balance			152,185	152,185	152,185	152,185	152,185
(-) Mandatory Repayment			-	-	-	-	(152,185)
(-) Paydown			-	-	-	-	-
Ending Balance		152,185	152,185	152,185	152,185	152,185	-
Interest Payment			807	807	807	807	807
S$ Floating Rate Loan 2026							
Interest Rate	0.5%						
Year Due	2026						
Opening Balance			81,570	81,570	81,570	81,570	81,570
(-) Mandatory Repayment			-	-	-	-	-
(-) Paydown			-	-	-	-	-
Ending Balance		81,570	81,570	81,570	81,570	81,570	81,570

Discounted Cash Flow Valuation

Parkway Life REIT **Discount Cash Flow Valuation** *($ In Thousands, Except Per Share Data)* *Financial Year Ending 31 December*		Historical				Projected				
		FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Valuation Summary										
Date Of Valuation	01 December 2021									
Current Fiscal Year End	31 December 2021									
Portion Of Fiscal Year Passed	0.92									
Portion Of Fiscal Year Remaining	0.08									
Price	4.96									
Discounted Free Cash Flows										
Gross Revenue					120,892	125,094	128,799	132,872	137,314	140,839
Net Property Income					112,528	116,913	120,375	124,182	128,333	131,628
EBIT					94,924	100,520	103,497	106,770	110,339	113,172
Tax Rate					17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
EBIT(1-Tax Rate)					78,787	83,432	85,903	88,619	91,582	93,933
Changes In Net Working Capital					620	33,918	250	275	300	238
Capital Expenditures					(4,579)	(9,721)	(11,187)	(11,719)	(12,268)	(12,833)
Free Cash Flow To Be Discounted						107,629	74,965	77,175	79,614	81,337
Present Value Of Free Cash Flows						107,629	73,464	73,045	72,778	71,814
						1	2	3	4	5
Date Of DDM						31 December 2021	31 December 2022	31 December 2023	31 December 2024	31 December 2025
Annual Period To DDM						0.08	1.08	2.08	3.08	4.08
Effective Of Mid-Year Convention						(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Effective Time Period						-	0.58	1.58	2.58	3.58
Weighted Average Cost Of Capital										
Weighted Average Cost Of Capital	3.5%									
Cost Of Debt										
Weighted Average Cost Of Debt	2.9%									
Tax Rate	17.0%									
After-Tax Cost Of Debt	2.4%									
Proportion Of Debt In Capital Structure	36.1%									
Cost of Equity										
Singapore										
Equity Risk Premium	4.7%									
Risk Free Rate	1.7%									
Beta	0.24									
Adjusted Beta	0.49									
Cost Of Equity	4.1%									
Japan										
Equity Risk Premium	5.4%									
Risk Free Rate	0.1%									
Beta	0.24									
Adjusted Beta	0.49									
Cost Of Equity	2.7%									
Blended Equity Risk Premium	5.0%									
COE	4.2%									
Proportion Of Equity In Capital Structure	63.9%									

Growth To Perpetuity Model

Growth Rate In Perpetuity	1.5%
Weighted Average Cost Of Capital	3.537%
Present Value Of Cash Flows	398,729
Terminal Value	4,052,964
Present Value Of Terminal Value	3,578,413
Cash And Cash Equivalents	22,658
Debt	(791,524)
Equity Value	3,208,276
Shares Outstanding	605,002
Price Per Share	5.30
Implied Upside/(Downside)	6.9%

		Growth To Perpetuity				
		1.00%	1.25%	1.50%	1.75%	2.00%
WACC	2.94%	5.71	6.67	7.95	9.78	12.59
	3.24%	4.81	5.50	6.40	7.60	9.28
	3.54%	4.11	4.64	5.30	6.15	7.27
	3.84%	3.57	3.98	4.49	5.11	5.91
	4.14%	3.13	3.46	3.86	4.34	4.93

Exit Multiple Model

Present Value Of Projected Free Cash Flows	398,729
Ending EBITDA	113,172
Exit Multiple (EV/EBITDA)	39.45x
Implied Terminal Value	4,464,643
PV Of Terminal Value	3,752,404
Implied Enterprise Value	4,151,133
Cash And Cash Equivalents	22,658
Debt	(791,524)
Equity Value	3,382,267
Shares Outstanding	605,002
Price Per Share	5.59
Implied Upside/(Downside)	12.7%

		EV/EBITDA				
		38.45x	38.95x	39.45x	39.95x	40.45x
WACC	2.94%	5.62	5.70	5.78	5.86	5.94
	3.24%	5.52	5.60	5.68	5.76	5.84
	3.54%	5.43	5.51	5.59	5.67	5.75
	3.84%	5.34	5.42	5.50	5.58	5.65
	4.14%	5.26	5.33	5.41	5.48	5.56

Dividend Discount Model Valuation

Parkway Life REIT
Dividend Discount Model Valuation
($ In Thousands, Except Per Share Data)
Financial Year Ending 31 December

		Historical				Projected				
		FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Valuation Summary										
Date Of Valuation	01 December 2021									
Current Fiscal Year End	31 December 2021									
Portion Of Fiscal Year Passed	0.92									
Portion Of Fiscal Year Remaining	0.08									
Price	4.96									
DDM Calculation										
Distribution Per Unit		0.13	0.13	0.13	0.14	0.15	0.15	0.15	0.16	0.16
Present Value						0.15	0.15	0.14	0.14	0.14
						1	2	3	4	5
Date Of DDM						31 December 2021	31 December 2022	31 December 2023	31 December 2024	31 December 2025
Annual Period To DDM						0.08	1.08	2.08	3.08	4.08
Effective Of Mid-Year Convention						(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Effective Time Period						-	0.58	1.58	2.58	3.58

Cost Of Equity Derivation

Singapore	
Equity Risk Premium	4.7%
Risk Free Rate	1.7%
Beta	0.24
Adjusted Beta	0.49
Cost Of Equity	4.1%
Japan	
Equity Risk Premium	5.4%
Risk Free Rate	0.1%
Beta	0.24
Adjusted Beta	0.49
Cost Of Equity	2.7%
Blended Equity Risk Premium	5.0%
Cost Of Equity	4.19%

Growth To Perpetuity Model

Total Present Value Of Projected Distribut	0.72
Long-Term Growth Rate	1.5%
Final Year Dividend	0.16
Terminal Value	6.13
Present Value Of Terminal Value	5.29
Implied Stock Price	6.02
Implied Upside/(Downside)	21.3%

		Long-Term Growth Rate				
		1.00%	1.25%	1.50%	1.75%	2.00%
Cost Of Equity	3.59%	6.31	6.93	7.68	8.65	9.92
	3.89%	5.68	6.16	6.74	7.46	8.37
	4.19%	5.16	5.55	6.02	6.57	7.26
	4.49%	4.74	5.06	5.43	5.87	6.41
	4.79%	4.38	4.65	4.96	5.32	5.74

Relative Valuation

Parkway Life REIT
Relative Valuation
($ In Thousands, Except Per Share Data)
Financial Year Ending 31 December

Company Name	Ticker	Market Capitalization	Enterprise Value	Gross Margin	EBITDA Margin	Net Income Margin	EV/Revenue LTM	EV/EBITDA LTM	NTM Forward EV/EBIT	NTM Forward EV/EBITDA	NTM Forward P/B	NTM Forward P/E
Parkway Life Real Estate Investment Trust	SGX:C2PU	2,982,700	3,756,100	81.7%		279.2%	31.10x		38.20x	38.20x		34.80x
Selected Comps												
RHT Health Trust	SGX:RF1U	15,400	(2,600)						11.10x	6.30x		0.40x
Healthcare & Medical Investment Corporation	TSE:3455	597,900	980,500	55.7%	74.4%	44.3%	19.70x	26.40x				
Daiwa Securities Living Investment Corporation	TSE:8986	2,998,100	4,950,100	53.9%	70.3%	41.7%	19.20x	27.40x	38.02x			29.70x
Al-'Aqar Healthcare REIT	KLSE:ALAQAR	275,300	483,500	92.0%		19.6%	12.40x					13.66x
First Real Estate Investment Trust	SGX:AW9U	467,800	780,000	86.2%	82.4%		9.80x	11.80x	8.20x	8.20x		2.70x
Amvis Holding, Inc.	JASDAQ:7071	1,806,500	1,822,200	41.1%	28.3%	17.1%	7.30x	31.80x	49.50x	43.20x	16.93x	65.37x
Maximum		2,998,100	4,950,100	92.0%	82.4%	279.2%	31.10x	31.80x	49.50x	43.20x	16.93x	65.37x
75th Percentile		2,394,600	2,789,150	85.1%	76.4%	44.3%	19.58x	28.50x	38.20x	39.45x	16.93x	33.53x
50th Percentile		597,900	980,500	68.7%	72.4%	41.7%	15.80x	26.90x	38.02x	23.20x	16.93x	21.68x
25th Percentile		371,550	631,750	54.4%	59.8%	19.6%	10.45x	22.75x	11.10x	7.73x	16.93x	5.44x
Minimum		15,400	(2,600)	41.1%	28.3%	17.1%	7.30x	11.80x	8.20x	6.30x	16.93x	0.40x

	Minimum	25th Percentile	50th Percentile	75th Percentile	Maximum
P/E					
NTM Forward P/E	0.40x	5.44x	21.68x	33.53x	65.37x
PLife REIT's Adjuted Earnings	122,936	122,936	122,936	122,936	122,936
PLife REIT's NTM EPS	20.32	20.32	20.32	20.32	20.32
Implied Share Price	0.08	1.11	4.41	6.81	13.28
EV/EBIT					
NTM Forward EV/EBIT	8.20x	11.10x	38.02x	38.20x	49.50x
PLife REIT's NTM EBIT	100,520	100,520	100,520	100,520	100,520
PLife REIT's EV	824,266	1,115,774	3,821,779	3,839,872	4,975,751
(-) Debt	(791,524)	(791,524)	(791,524)	(791,524)	(791,524)
Cash	22,658	22,658	22,658	22,658	22,658
Implied Equity Value	55,400	346,908	3,052,913	3,071,006	4,206,885
Implied Share Price	0.09	0.57	5.05	5.08	6.95

Relative Valuation

	NTM Forward P/E	NTM Forward EV/EBIT
Median	**21.68x**	**38.02x**
Average	**24.44x**	**29.00x**
Parkway Life Real Estate Investment Trust	34.80x	38.20x
RHT Health Trust	0.40x	11.10x
Daiwa Securities Living Investment Corporation	29.70x	38.02x
Al-'Aqar Healthcare REIT	13.66x	
First Real Estate Investment Trust	2.70x	8.20x
Amvis Holding, Inc.	65.37x	49.50x