

Parkway Life REIT

(SGX: C2PU)

Steady growth in distribution per unit

- **Higher DPU.** Parkway Life REIT's distribution per unit (DPU) grew by 1.5% year-on-year to 7.65 cents in 1H 2025, driven by contribution from nursing home properties acquired in 2024. Gross revenue grew by 8.1% year-on-year to S\$78.3 million, driven by the contributions from the new acquisitions but partly offset by weakness in the Japanese Yen. The properties in France contributed to the first 6-month results with S\$5.8 million in gross revenue. In Singapore, the properties with fixed 3% annual rental step-ups lease arrangements led to higher rental income. Distributable income (DI) increased 9.5% year-on-year to S\$49.9 million.
- **Tax exemption for investments in France.** Parkway Life REIT has received approval from Inland Revenue Authority of Singapore (IRAS) to apply tax exemption on income received from the France portfolio. Specifically, dividend income and interest income received from 7 of the 11 properties in France will be tax exempted. Full year tax savings are estimated at S\$1.26 million or 0.19 cents, equivalent to 1.3% of FY2024 DI. If tax exemption for the remaining 4 properties are approved, an additional tax saving of approximately S\$0.4 million per year is expected.
- **Stable and high-quality portfolio.** Parkway Life REIT continues to maintain a portfolio of defensive long term lease structure with downside protection. Weighted average lease expiry (WALE) remained steady, at 14.91 years, compared with 15.17 years as at 31 March 2025. As of 30 June 2025, the portfolio size was S\$2.46 billion and 90.5% of the revenue with downside protection.
- **Higher finance costs.** Due to the debt drawdown to fund the nursing home in Japan and the higher interest costs on the Japanese Yen debt, finance costs increased by 24.4% year-on-year to S\$6.78 million. Gearing ratio improved to 35.4% as at 30 June 2025, from 36.1% as at 31 March 2025. Debt profile was stable, with 97% of the interest rate exposure hedged as at 30 June 2025, compared with 90.0% as at 31 March 2025. Weighted average debt term to maturity of 3.0 years, compared with 3.3 years as at 31 March 2025. Parkway Life REIT does not have debt refinancing needs till September 2026.
- **Active management.** Singapore remains a core market and Project Renaissance is 85% completed. The notable Asset Enhancement Initiative (AEI) to rejuvenate Mount Elizabeth Orchard Hospital is on track to complete by end-2025 and within the S\$350 million budget. For the Japan portfolio, management is exploring opportunities to recycle the assets as revenue are unlikely to grow in the medium term. In Europe, the focus is on integrating the assets in France. Currently, Parkway Life REIT has debt headroom of S\$455.0 million before reaching the 45% gearing level, providing ample flexibility to pursue inorganic growth opportunities.

| | |
|-------------------------|----------------|
| Ticker | C2PU |
| Rating | Buy |
| Price Target* | S\$4.60 |
| Price (6 Aug) | S\$4.11 |
| Upside/Downside: | +12% |
| 52-week range | S\$3.51 - 4.27 |
| Market Cap | S\$2.7B |

*Target price is for 12 months

Research Analyst

Gerald Wong, CFA
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(SGX: C2PU)

- **Maintain BUY.** We continue to like Parkway Life REIT for its exposure to the growing healthcare sector, with a track record of generating consistent DPU growth since its IPO in 2007. Based on 1H 2025 DPU of 7.65 cents, Parkway Life REIT offers an annualised distribution yield of 3.7%. It currently trades at a price-to-book valuation of 1.68x.

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Figure 1: Parkway Life REIT 1H25 results summary

| S\$ '000 | 1H 2025 | 1H2024 | YoY Change % |
|---------------------------------------------------|-------------|-------------|--------------|
| Gross revenue | 78,308 | 72,420 | 8.1 |
| Net property income | 73,844 | 68,355 | 8.0 |
| Trust expenses | (10,191) | (9,037) | 12.8 |
| Foreign exchange gain (net) | 4,353 | 5,130 | (15.1) |
| Finance costs (net) | (6,781) | (5,451) | 24.4 |
| Net change in fair value of financial derivatives | (5,383) | 8,188 | n.m. |
| Net change in fair value of investment properties | (11,342) | (12,023) | (5.7) |
| Income tax expense | (3,927) | (3,334) | 17.8 |
| Total return for the period after tax | 40,573 | 51,828 | (21.7) |
| Distribution adjustments | 9,350 | (6,219) | n.m. |
| Amount available for distribution | 49,923 | 45,609 | 9.5 |
| Distribution per unit (DPU) - Cents | 7.65 | 7.54 | 1.5 |

Source: Company data

Figure 2: Parkway Life REIT 1Q25 balance sheet summary

| S\$ '000 | As of 31 Mar 2025 | As of 31 Dec 2024 |
|--------------------------------------|-------------------|-------------------|
| Net gearing | 35.4% | 34.8% |
| Cash | 49,043 | 29,471 |
| Borrowings | 925,415 | 884,040 |
| Total assets | 2,621,000 | 2,551,147 |
| Total liabilities | 1,026,710 | 981,195 |
| Net asset value (NAV) per unit (S\$) | 2.44 | 2.41 |

Source: Company data

About Parkway Life REIT

One of the largest listed healthcare REIT in Asia

Parkway Life Real Estate Investment Trust (PLife REIT) is a leading healthcare-focused REIT in Asia, with a total portfolio value of S\$2.46 billion as at 31 December 2024. The REIT is dedicated to investing in income-producing properties primarily used for healthcare purposes, including hospitals, nursing homes, and other healthcare facilities. It is managed by Parkway Trust Management Limited and has been listed on the SGX since August 2007.

As at 31 December 2024, PLifeREIT has 75 properties and 35 lessees across Singapore, Japan, France and Malaysia. With a 15.34 years weighted average lease expiry (WALE) by gross revenue, its portfolio is highly defensive, with 90.7% downside protection by gross revenue based on lease agreements providing for a resilient earnings stream.

Figure 3: Summary of PLife REIT's portfolio as at 31 December 2024

| Portfolio | Singapore | Japan | Malaysia | France | Total |
|--------------------------------|---------------------------------------|----------------------------------------|---------------------------------------|---------------------|---------------------------------------------------|
| Type | 3 Hospitals & Medicals Centres | 60 nursing homes | Medical centre | 11 nursing homes | 4 Hospitals & medical centre; 71 nursing homes |
| Land Tenure | 3 Leasehold 59 Freehold, 1 Leasehold | | 1 Freehold | 11 Freehold | 71 Freehold & 4 Leasehold |
| Land Area (sq m) | 36,354 | 235,519 | 3,450 | 91,593 | 366,916 |
| Floor Area (Sq m) | 118,136 | 247,246 | 2,444 | 42,631 | 410,457 |
| Beds | 745 | - | - | 850 | 1,595 |
| Strata Units/ Car Park Lots | 40 Strata units/ 559 car park lots | - | 9 strata units/ 69 car park lots | - | 49 strata units/ 628 car park lots |
| Number of Units (Rooms) | - | 5,058 | - | - | 5,058 |
| Year of Completion | 1979 to 1993 | 1964 to 2024 | 1999 | 1970 to 2022 | 1964 to 2024 |
| Committed Occupancy | 100% | 100% | 31% (excluding car park) ³ | 100% | 99.7% |
| Leases/Lessees | 3 Leases; 1 Master Lessee | 60 Leases ¹ ; 30 Lessees | 4 Leases, 3 Lessees | 11 Leases, 1 Lessee | 78 Leases; 35 Lessees |
| Year of Acquisition | 2007 | 2008 to 2024 | 2012 | 2024 | - |
| Appraised Value ² | S\$1,603.0m | ¥79,853m (S\$690.7m) | RM19.3m (S\$5.9m) | €115.4m (S\$163.1m) | S\$2,462.7m |

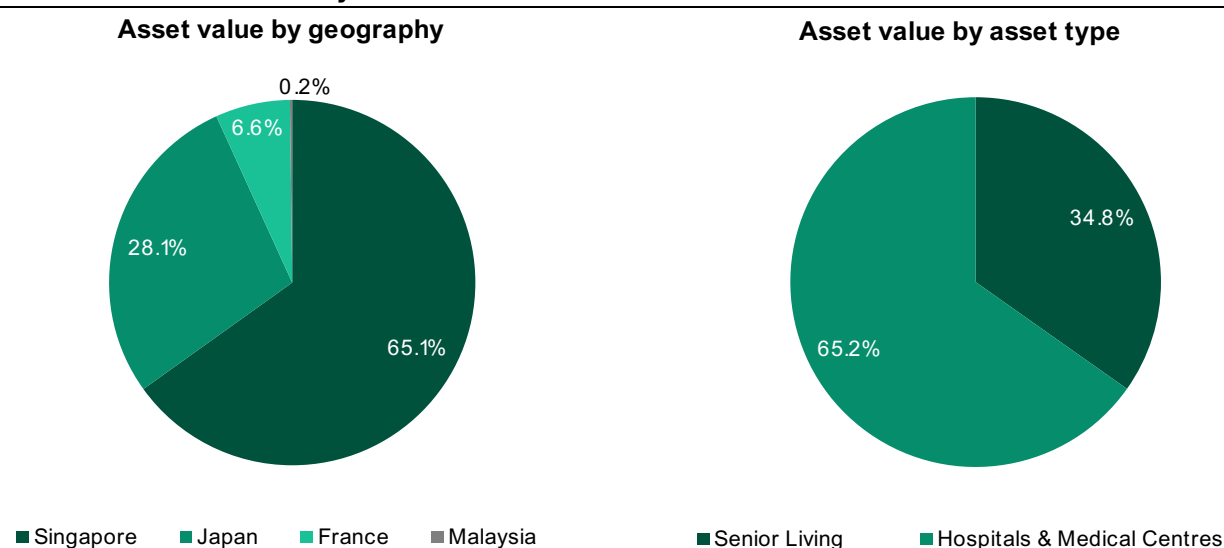
1. Single Lease Agreement for Habitation Hakusho and Group Home Hakusho. The Lease Agreement for Sampo no ie Nakasyo

2. Based on latest appraised values as at 31 December 2024; at an exchange rate of S\$1.00 : ¥115.6 and S\$1.00 : RM3.30 and S\$1.00 : €0.71

3. Vacancy mainly due to expiry of Level 8 lease

Source: Company data

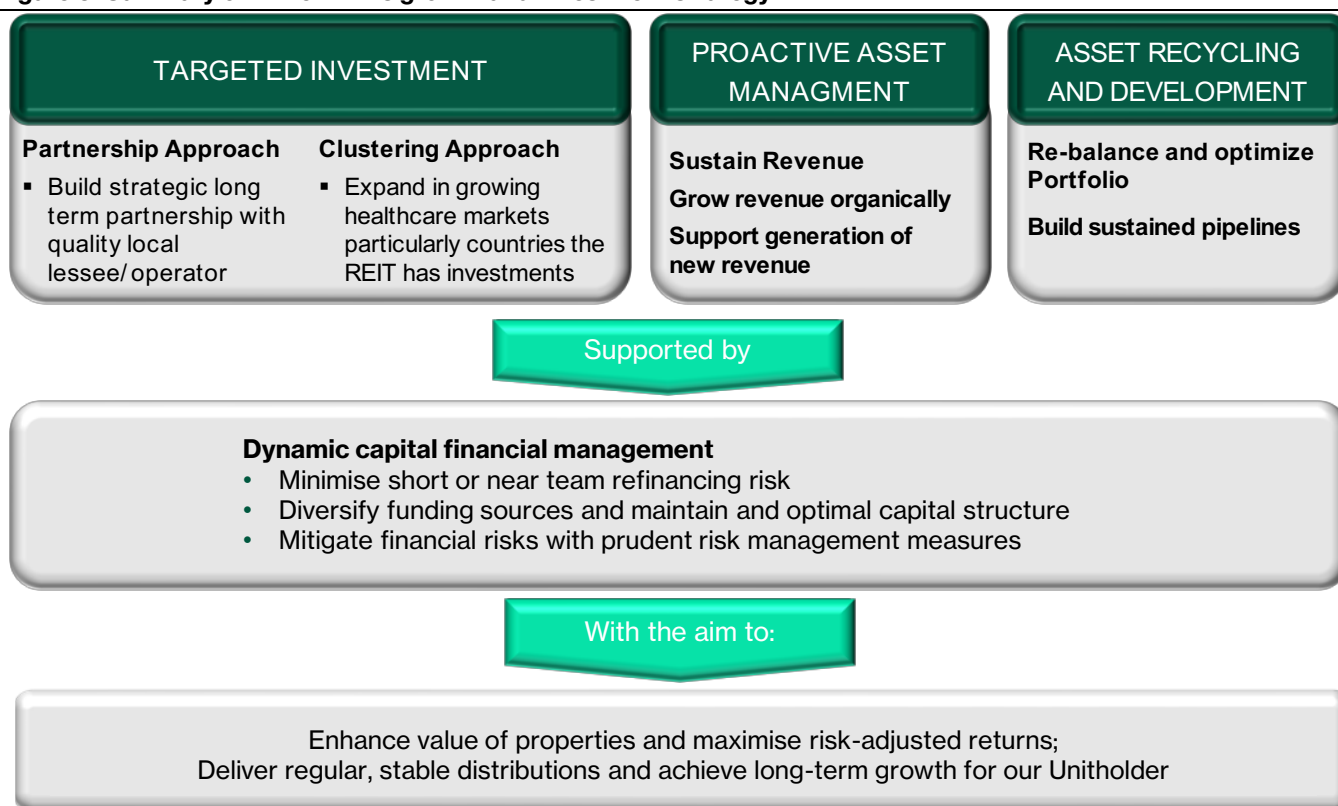
Following the acquisition of a portfolio of 11 nursing home properties in France from DomusVI Group, the REIT has increased its geographic diversification with 65.1% of assets by value in Singapore, 28.1% in Japan, 6.6% in France and 0.2% in Malaysia. 65.2% of assets are represented by hospitals and medical centres and 34.8% of assets represented by nursing homes.

Figure 4: Breakdown of PLife REIT by asset value as of 31 December 2024

Source: Company data

Growth strategy and investment approach

PLife REIT has a two-pronged investment strategy to ensure that its portfolio grows in a sustainable manner. This includes the development of win-win partnerships with operators and expanding its footprint in growing healthcare markets.

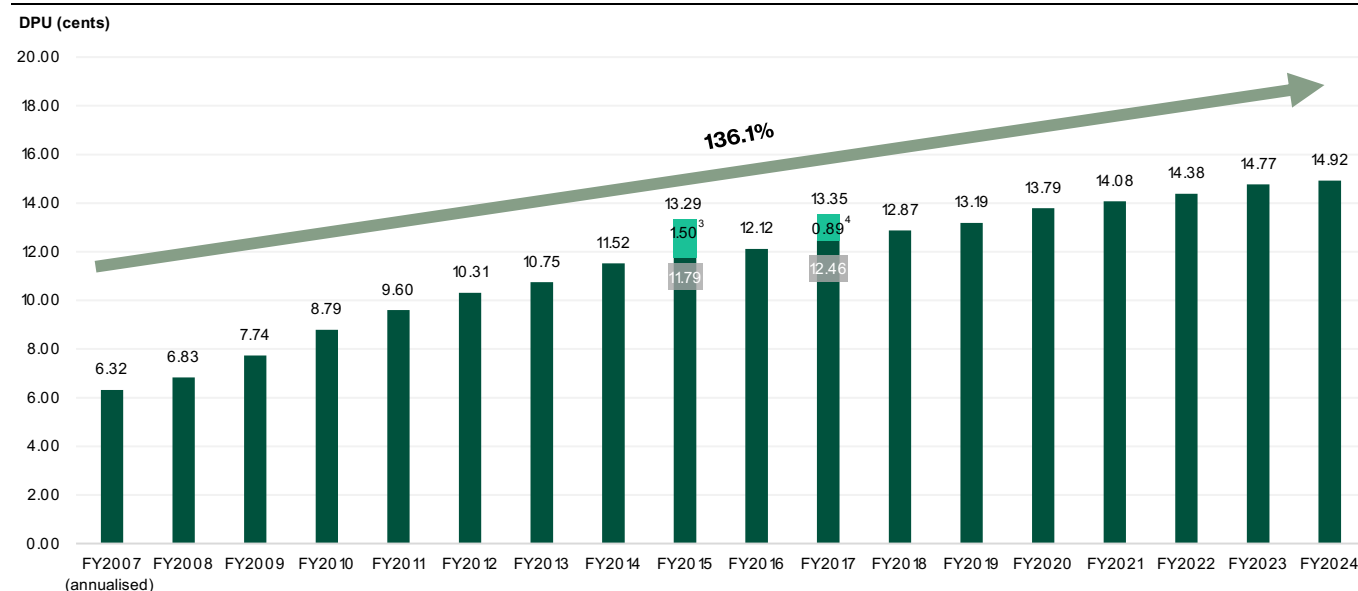
Figure 9: Summary of PLife REIT's growth and investment strategy

Source: Company data

Uninterrupted recurring DPU growth since its IPO

Part of the attraction of PLife REIT is its enviable track record of generating uninterrupted recurring DPU growth since its IPO in 2007. From 2007 to 2024, its DPU has grown by about 136% from an annualised DPU of 6.32 cents to 14.92 cents in 2024.

Figure 5: Historical DPU track record since IPO in 2007



1. Single IPO till FY2023
2. Since FY2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure
3. One-off divestment gain of 1.50 cents (S\$9.1 million) relating to the divestment of seven Japan assets in December 2014 was equally distributed over the four quarters in FY2015
4. One-off divestment gain of 0.89 cents (S\$5.39 million) relating to the divestment of four Japan assets in December 2016 was equally distributed over the four quarters in FY2017

Source: Company data

What is also noteworthy is that this is despite a depreciation of the JPY against the SGD, particularly in the last five years.

Moreover, unlike many other REITs which rely on equity fundraising to drive inorganic growth, i.e. raising funding from shareholders through a combination of private placements, preferential offerings or rights issues, the growth in DPU at PLifeREIT has been driven solely via organic growth, debt and internal sources, without the need to tap shareholder's funding.

It was only in October 2024 that PLife REIT conducted its first equity fundraising exercise to finance the acquisition of a portfolio of 11 nursing homes in France to establish a third key market for the REIT.

Key risks

Interest Rate Risk

Should the trend of interest rates reverse and move upwards, Parkway Life REIT may face increased borrowing costs, which could affect profitability and distributions. Although the REIT has implemented interest rate swaps to hedge against rising rates, fluctuations in interest rates can still impact its overall financial health and cash flow management.

Currency Exchange Risk

With a significant portion of its portfolio located in Japan, Parkway Life REIT is exposed to currency fluctuations between the Singapore Dollar (SGD) and Japanese Yen (JPY), and now the Singapore Dollar and Euro. While the REIT has taken steps to hedge against currency risks through JPY-denominated debt, adverse movements in exchange rates could still affect its earnings from Japanese assets.

Regulatory Risks

Changes in healthcare regulations or policies in Singapore, Japan, France or Malaysia could potentially adversely affect operations. Regulatory changes may impact rental agreements, operational costs, or the ability to acquire new properties. For instance, any shifts in government healthcare funding or reimbursement policies could directly influence the profitability of hospitals and nursing homes.

Operational Risks

Operational risks include challenges related to property management, tenant relationships, and maintaining high occupancy levels. Any disruptions in operations – such as those caused by natural disasters or pandemics – could lead to increased costs and decreased revenues. The COVID-19 pandemic has highlighted vulnerabilities in healthcare facilities that could persist.

Disclosure Appendix

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