

# Extraordinary General Meeting

29 April 2025



# Strategic context for the proposed stapling

Objective: for Stoneweg European REIT to remain competitive, resilient, and well-positioned for long-term growth





#### The challenge - responding to market changes:

- Economic shifts, changes in law and tax amendments
- Challenges to traditional REIT models, which largely largely derive revenue from passive income sources

#### The proposed solution:

 Proposed stapling to form Stoneweg European Stapled Trust (SERT), comprising Stoneweg European REIT and Stoneweg European Business Trust

#### The outcome:

 Create long-term value and maintain a competitive edge by offering enhanced tax efficiency, flexibility for future operations and broader scope for future investments

# Impact on investment strategy and key benefits

Consistent with the existing mandate of Stoneweg European REIT





- **Strategy unchanged: i**nvesting, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are used primarily for office, logistics/light industrial, and retail purposes, as well as real estate-related assets
- Asset class focus unchanged: office, logistics/light industrial, and related asset classes such as data centres
- Mandate unchanged with additional flexibility in implementing it with the stapling of BT
- Key benefits
  - Tax optimisation
  - Future-proofing the corporate structure
  - Enhanced flexibility and investor appeal
  - Improved debt financing options

# **Optimising tax & holding structure**

A stapled REIT-BT structure helps enhance returns and reduce tax liabilities





- Adapting to evolving tax laws: a stapled REIT-BT structure offers tax advantages in an environment of evolving tax laws, including recent changes in Germany's real estate transfer tax (RETT) regime
- Mitigating tax implications: stapling allows certain assets to be jointly owned by the REIT and the BT in the future if required
- **Greater tax structuring flexibility:** balances tax, regulatory, commercial and/or financing considerations

# **Future-proofing corporate structure**

**Greater flexibility for capital management, asset classes, development** 



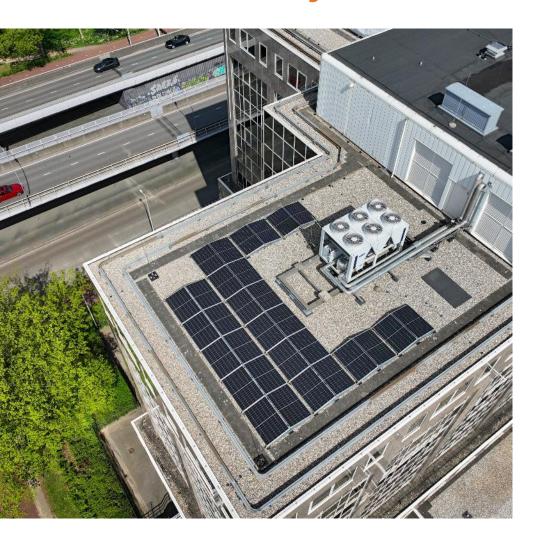


- Alignment of the Manager and the Trustee-Manager: the same set of independent directors and key executive officers
- Enables portfolio refresh: BT can undertake development projects, AEIs, redevelopments but no intention to increase development exposure above 10% on a long-term basis
- Supports property operations and leasing strategies
- Provides value-add services such as property management, co-working, logistics arrangements although there is no current intention to shift the existing mandate towards those activities

# **Enhancing appeal to investors**



A globally aligned stapled REIT-BT structure offering greater investment flexibility, broader investor appeal, stable returns and no change in fees



- Alignment with latest practices: Stapled REIT-BT structure aligns with some of the largest established real estate securitised markets such as in the US and Australia, enhancing investor appeal through a balance of stable income and growth
- Enhanced capital flexibility: Enables improved capital management and debt financing options
- **Expanded investment scope**: Allows ancillary asset investments (e.g. solar installations, co-working spaces)
- **Global investor appeal:** Potential to increase international investor participation, improving trading liquidity and diversifying the unitholder base
- Same formula for fees: The fees for Stoneweg European BT will follow the same formula as Stoneweg European REIT, and no trustee fees will be payable to the Trustee-Manager while Stoneweg European BT is stapled to Stoneweg European REIT

# **Expanding debt financing options**

**Committed to maintaining a aggregate leverage ceiling of 45%** 





- **Regulatory flexibility**: REITs in Singapore are capped at 50% aggregate leverage, while BTs are not subject to this limit
- Consolidated gearing guided by covenants and ratings: the combined REIT-BT structure will continue to follow overall loan covenants and credit rating requirements.
- **Unchanged aggregate leverage target:** The Stapled Entity will remain committed to maintain a 35–40% medium-term target, with a 45% ceiling
- Maintains conservative financial policies: Aggregate leverage strategy remains well below the MAS's 50% cap for REITs

## **Conclusion**

#### Unitholder support will position SERT for long-term growth and value creation





#### Rationale of implementing the stapled structure

- Optimises tax and holding structures
- Enhances investor appeal, aligning with the latest practices of REIT-BT models in certain jurisdictions
- Expands flexibility in capital management and investment options
- Maintains REIT's focus on resilient, income-producing European real estate
- No change to current investment strategy or mandate with additional flexibility to implement it

#### To seek unitholders' approvals today

- Two resolutions to implement the stapling
- One resolution to seek a general mandate for the issuance of stapled securities in SERT
- Refer to the Circular for full details

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