TPLProperties

*Analyst Briefing*

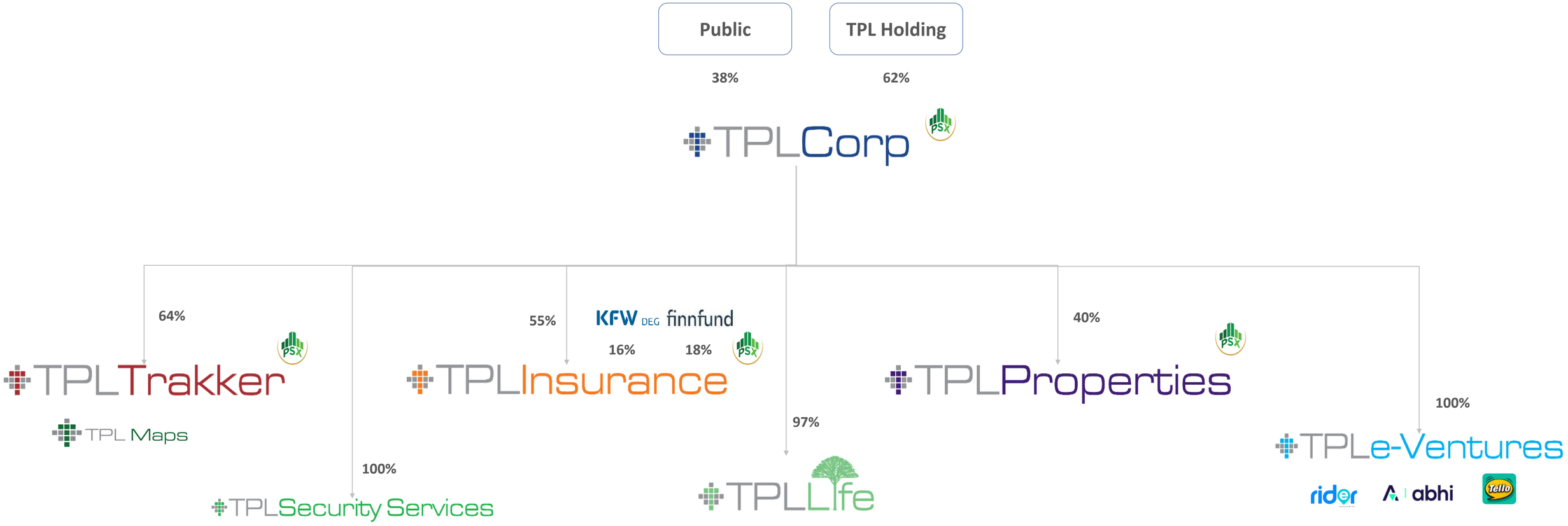
**October 11, 2022**

Refining.
Building.
Evolving.

***Strictly Private & Confidential***

# Overview of the Group

Diversified Entrepreneurial Group, seeking to redefine and lead in the markets it operates, incl. Insurance, Real Estate, LogiTech



# Pioneer in Institutionalizing Real Estate in Pakistan

| 2007 | 2016 | 2020 | 2022 |
|---|---|---|---|
| ▪ Development of Centrepoint initiated | ▪ Centrepoint Completed<br>▪ 100% tenancy achieved<br>▪ OPIC facility prepaid<br>▪ Listed on PSX<br>▪ Pre-IPO placement – Tundra Fonder | ▪ Acquisition of HKC Ltd (2017)<br>▪ Incorporation of RMC<br>▪ Exited Centerpoint<br>▪ Acquisition of land for Tech Park | ▪ Acquisition of Korangi Land - Mangrove<br>▪ Successful first close of REIT Fund<br>▪ TPL IM Incorporated<br>▪ TPL Developments incorporated<br>▪ Shariah Compliant<br>▪ Strategic Partnership with TASC |

TPL Properties

| | | | |
|---|---|---|---|
| **Developer** | 100% | TPL Developments | *Providing best-in-class Real Estate Development Management Services to its Real Estate, Corporate and Institutional clients* |
| **Property Manager** | 100% | TPL Property Management | *Offering a full suite of facility management services. Key customer is Centerpoint Office Tower (since the over 10 years)* |
| **REIT Manager** | 100% | TPL RMC | *Licensed by SECP, leaders in REIT management services in Pakistan; Managing Pakistan's First Development Impact Fund with Target Size of PKR 85 Bn* |
| **Fund Manager (ADGM)** | 100% | TPL Investment | *ADGM based 3C licensed fund manager, managing off shore feeder funds* |
| **REIT Fund** | 39% | TPL REIT Fund I | *Pakistan's first and largest Shariah Compliant Development Impact REIT Fund, consisting of development and yielding assets* |

**Technology Park** (100% (Acquisition In-Process))

**Mangrove** (100%)

**One Hoshang** (90%)

# Financial Results for the period ending June 30, 2022

| Profit and Loss (PKR Mn) | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Consolidated | Unconsolidated | Consolidated | Unconsolidated |
| Income | 503 | 25 | 438 | 284 |
| Gain on sale of properties | 3,496 | 3,496 | - | - |
| Un-realised gain on investments in REIT fund | 2,398 | 2,398 | - | - |
| **Total Income** | **6,397** | **5,919** | **438** | **284** |
| Direct operating costs | (7) | (7) | (124) | (9) |
| Administrative and general expenses | (1,227) | (897) | (593) | (556) |
| **EBITDA** | **5,163** | **5,015** | **(279)** | **(281)** |
| Depreciation & Amortization | (62) | (53) | (8) | (8) |
| **EBIT** | **5,101** | **4,962** | **(287)** | **(289)** |
| Other Income / (Expenses) | 249 | 249 | 771 | 133 |
| Finance Cost | (334) | (333) | (425) | (425) |
| **Profit Before Tax** | **5,016** | **4,878** | **59** | **(581)** |
| Taxation | (102) | (1) | 11 | 17 |
| Profit from discontinued operations | 378 | - | - | - |
| **Profit for the Year** | **5,292** | **4,877** | **70** | **(564)** |

| Key Metrics | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Consolidated | Unconsolidated | Consolidated | Unconsolidated |
| Earning Per Share (PKR / Shr) | **13.33** | **12.29** | **0.18** | **(1.42)** |

## Comments

- Consolidated Income includes RMC Income
- Inv. Prop (Mangrove, One Hoshang) sale to TPL REIT
- NAV of TPL REIT @ Rs. 14.38/unit, up from par

- One off expenses include bonus provision, CSR and RMC Expenses in consolidated

- Other Income and Finance Costs on a net basis reflect funds received in advance from two banks for the REIT

- Low taxation due to REIT regulatory benefits
- Revaluation on Technology Park

# Financial Results for the period ending June 30, 2022

| Balance Sheet (PKR Mn) | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Consolidated | Unconsolidated | Consolidated | Unconsolidated |
| **Non-Current Assets** | | | | |
| Long-term investment | 8,348 | 9,499 | - | 2,131 |
| Others | 4,237 | 280 | 4,990 | 1,091 |
| **Current Assets** | | | | |
| Loans, advances, prepayments and other receivable | 254 | 806 | 552 | 1,915 |
| Others | 438 | 170 | 1,050 | 428 |
| Cash and bank balances | 1,892 | 1,762 | 2,953 | 1,936 |
| **Total Assets** | **15,169** | **12,517** | **9,545** | **7,501** |
| **Capital and Reserves** | | | | |
| Paid-up capital | 5,107 | 5,107 | 3,274 | 3,274 |
| Reserves | 6,580 | 5,408 | 3,060 | 2,353 |
| **Total Equity** | **11,687** | **10,515** | **6,333** | **5,627** |
| **Non-current Liabilities** | | | | |
| Long term financing | 621 | 621 | 2,322 | 1,047 |
| Others | 202 | - | 20 | 20 |
| **Current Liabilities** | | | | |
| Trade and other payables | 1,115 | 1,022 | 263 | 202 |
| Others | 1,543 | 360 | 608 | 606 |
| **Total Liabilities** | **3,481** | **2,003** | **3,213** | **1,874** |

| Key Metrics | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Consolidated | Unconsolidated | Consolidated | Unconsolidated |
| Book Value Per Share (PKR / Shr) | **22.9** | **20.6** | **19.3** | **17.2** |
| Debt to Total Assets (%) | **6%** | **7%** | **30%** | **21%** |
| Liquid to Total Assets (%) | **68%** | **81%** | **39%** | **28%** |

## Comments

- LT Investments include units of TPL REIT Fund I and investment in TPL Technology Zone; TPL REIT achieved first Financial Close @ PKR 18.35 Bn
- 183 Mn bonus shares; 8 Mn ESOP
- Debt paid down post sale to REIT Fund I

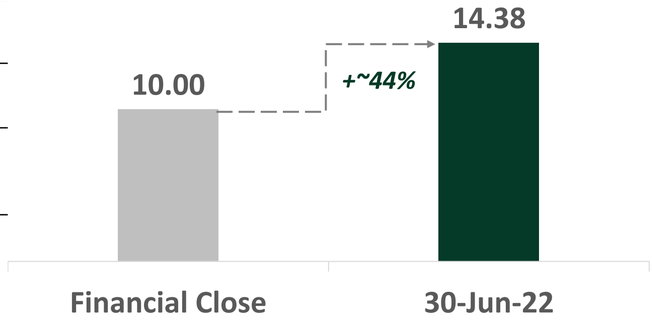
# Successful first close of Pakistan's first Development Impact Fund

## Fund Highlights

| | |
|---|---|
| **Fund Name** | TPL REIT Fund I |
| **Domicile** | Pakistan |
| **Fund Manager** | TPL REIT Management Co. Ltd. |
| **Feeder Fund Manager** | TPL Investment Management – ADGM |
| **Objective:** | Bring sustainable, integrated communities to Pakistan, decarbonizing cities, uplifting living standards and addressing the shortfall in commercial property, hospitality & housing due to rapid urbanization |
| **Type of Fund** | Shariah Compliant Hybrid REIT |
| **Fund Life** | Perpetual Close Ended |
| **Fund Fees** | Yearly Management Fee: 1.5% of NAV; Performance Fees: 15% |
| **Dividend Payout** | Annual – Planned Interim Dividend |
| **Target Fund Size** | PKR 80 bn |
| **Initial Fund Size** | PKR 18.35B; fresh raise of PKR 11.25B |
| **Planned Listing** | 3 years from financial close; 2025 |
| Aligned with: | WORLD BANK ENVIRONMENTAL AND SOCIAL FRAMEWORK; Operating Principles for Impact Management |

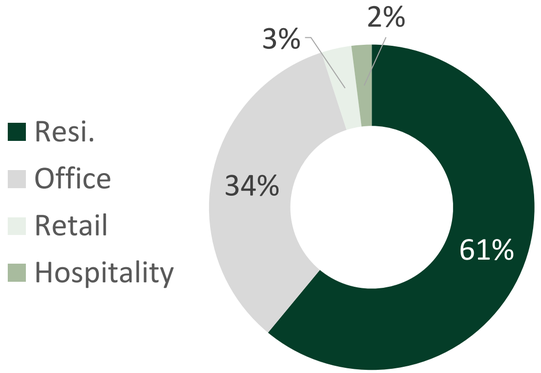
## Performance Highlights (FY 22)

*[NAV per Unit ]*




| NAV | LTV |
|---|---|
| PKR 16 b | 2.5% |
| **Assets** | **Units** |
| PKR 18 b | 1.1 b |

## Initial Fund Portfolio

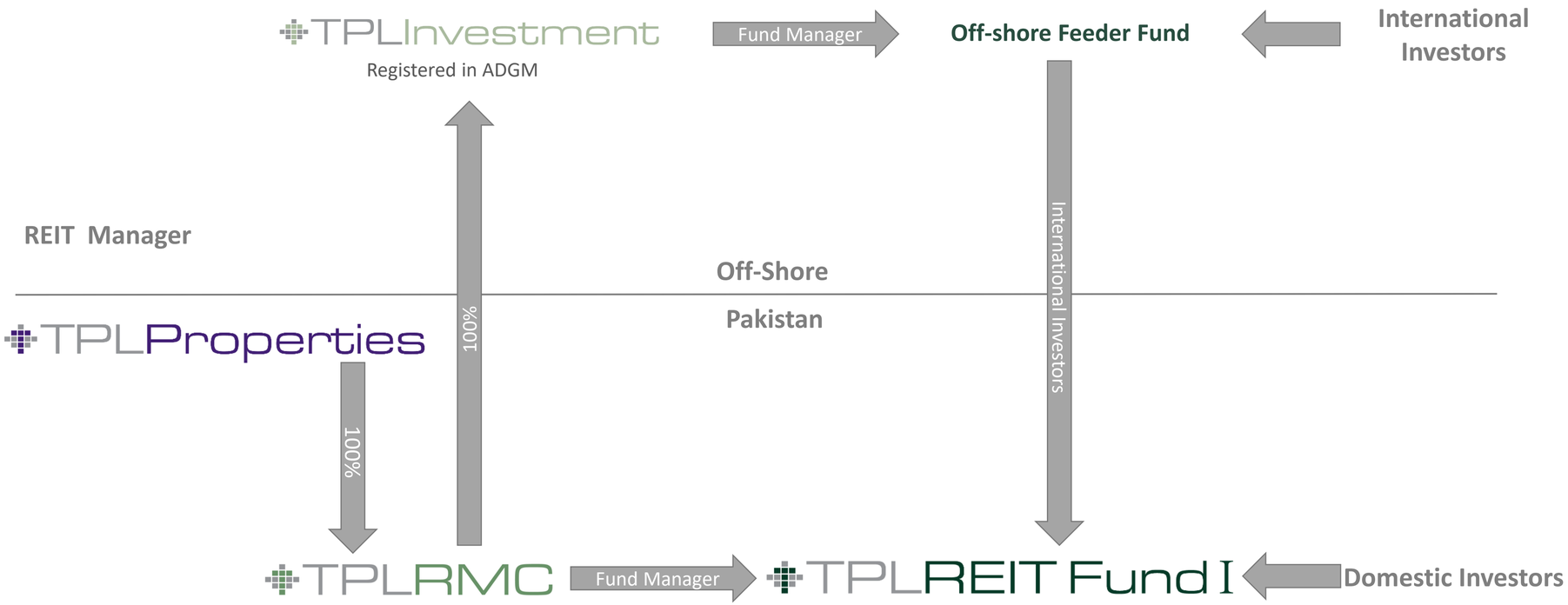



**20 – 45%**
Net Investment IRRs

**LEED Certified**
Sustainable Assets

**13 mn sq. ft +**
Built-up Area

# Structured under unique “Master Feeder Fund” Structure




TPL REIT is incorporated in Pakistan as a local fund owning the assets

International Feeder Funds are established in offshore jurisdictions

Feeder Funds allow international investors to exchange hands offshore

# Subsequent Drawdowns of the First Close & Target Second Close

## Successful first close of PKR 18.35B from leading banks

**Strategic Investor**

TPL Properties

**Anchor Investors**

HBL, NBP National Bank of Pakistan, askari bank LIMITED, Soneri Bank, Bank Alfalah, BOP THE BANK OF PUNJAB, HABIB METRO, Bank Al Habib

## Second & Third Tranche Drawdown

| | |
|---|---|
| Amount to be disbursed | PKR 5,625 (50% of the Fresh Raise) |
| Expected Timeline | End of December, 2022 |
| Utilization | Equity Injection in NMC (Mangrove) to fund its development cost |
| Status of Pending milestones | Submissions in place, regulatory approvals awaited; Tech Park acquisition in process; |

## Second Close

**Target Size**

In the process of raising USD 100-150 Mn from Foreign Investors for Second Close of TPL REIT by End of 2023

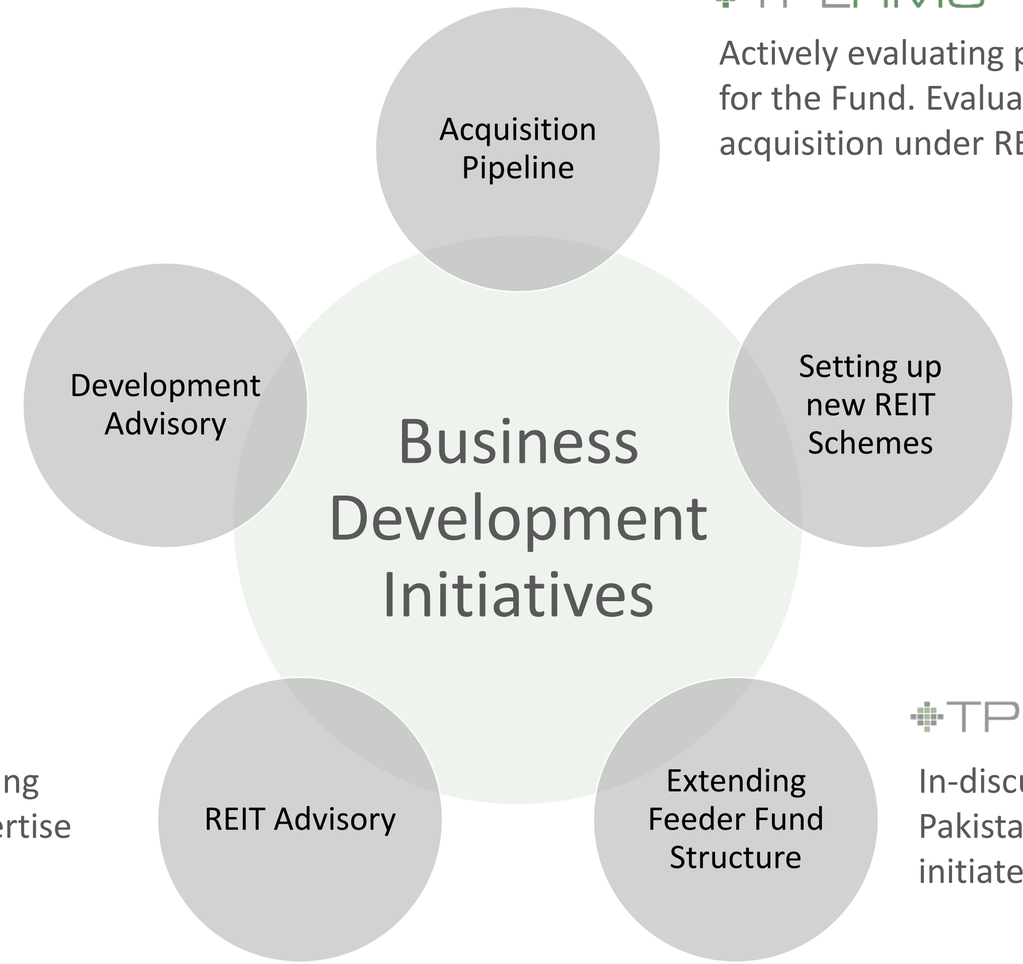
**Deployment**

Partially utilized to fund development cost of Mangrove & acquire further sustainable development Real Estate Assets for the Fund

**Investors**

- Multilaterals
- DFIs
- Impact Investment Funds
- Large Family Offices

# Growth Avenues




TPLRMC

Actively evaluating potential acquisition targets for the Fund. Evaluating new asset classes for acquisition under REIT structure

TPLRMC

In active discussions with Land bank owners, developers and a financial institution to establish REIT Fund and provide REIT Management Services

TPLInvestment

In-discussions with one of the leading AMC of Pakistan to setup feeder fund structure. Plans to initiate similar conversations with other AMCs

TPLDevelopments

In advance discussions with several real estate investors for rendering development advisory services

TPLInvestment

TPL IM is in active discussions with leading AMCs in the region to provide REIT expertise under managed Feeder Fund Structure

# Initial Asset Portfolio of REIT Fund

# The Mangrove

**Project Overview:**

Mid-rise waterfront development with multiple towers developed across 40 acres land

12 Mn sq. ft. + built up area

Easy accessibility to Business and Industrial Districts

Establishing a bio-diversity park

Preservation of 115 hectares of Mangroves to support climate impact

Targeting LEED Certification

**Return Expectations:**

Investment IRR: 48%+

Return on Investment: 20x

**Bridge Connectivity:**

- Proposal submitted
- Review Committee formed
- Engagement with DHA
- Approval & Tender offer

**Regulatory Approvals:**

- Survey of Pakistan
- Height Clearance
- Utility – Electricity & GAS
- Master Plan (Cantt. Approval)

**Design:**

- Concept Master Plan with SSH (incl. EA Cons., EMC)
- Hiring of consultant for designing the Bio-diversity park
- Detailed Design

**Construction:**

- Tendering Process
- Phase 1 Construction

**International Design Team:** SSH

Completed In-Process To be initiated

# Building Karachi's First Biodiversity Park

The design of the park will generate Carbon Credits and follows the principles of a biodiversity park[1]

### Environmental Protection

- Plant indigenous species. Protect old forest and other ecosystems; integrate.
- Water resource protection & Preserve aquatic life.
- Pest Management using natural traps.
- Actively manage waste.

### Environmental Development

- Use of sustainable materials.
- Optimize water usage
- Use of sustainable energy resources.
- Create an environment that promotes nesting of migratory birds.
- Evolve towards efficiency and self-sufficiency (on-site re-use, recycle, energy production).

### Public Recreational Areas

- Integrate observation decks, walking trails and canoeing/kayaking routes, and public sport facility to promote eco-tourism & fitness.
- Serve as a hub for education, cultural, and conservation activities.
- Hiring local community members as employees of park.

## Ecosystem Services & Resources Provided by Mangroves [2]

### Climate Regulation

**1 Hectare of Mangroves stores 1100 Tons of Carbon;** Mangroves are considered as one of earths most effective ecosystems for carbon & storage

### Coastal Protection

**1 Hectare of Mangroves reduces storm impact by 50%;** Mangroves dissipate wind, waves and tidal energy and act as a barrier against cyclones, typhoons & tsunamis

### Water Filtration

**2-5 Hectares of Mangroves treats 1 hectare of aquaculture effluent**; Mangrove improve water quality by increasing dissolved oxygen content in the water and trapping nutrients and heavy metals with their dense root network.

*Image taken from onetreeplanted.org*

*[1] Principles as per white paper published in Rai Journal Research & Development – Biodiversity Park: An Innovative Approach for Green Environment*

*[2] Data from the World Bank's Blue Carbon Assessment 2021*

# One Hoshang

## Project Overview:

Pakistan's first Gold LEED certified climate resilient residential tower with all modern amenities including retail outlets, wellness center, event spaces & cinema.

Incorporating 130-year-old heritage façade of the site to be protected to preserve heritage and promote culture

Museum developed with public access to showcase the area's history

Project is in advanced development stage and provides early cash generation for the Fund by Year 3

## Return Expectations:

Investment IRR: 20%

Return on Investment: 2x

## Award Winning Design Team:

SQUIRE & PARTNERS, atelier ten, 1508 LONDON, Pell Frischmann, AESG, arcop

## Regulatory Approvals:

- Utility NoCs
- Height Approvals
- Heritage
- Environment
- Demolition & Protection
- Architectural
- Structural

## Design:

- Detailed Design
- LEED Gold Precertification
- Shortlisted for New London Architecture Awards

## Construction:

- PM Hill International
- EPC Total Construction
- Demolition & Protection works
- Main Works

Completed In-Process To be initiated

## On going works:

# Technology Park

## Project Overview:

First of its kind technology park in Pakistan with best-in-class technology infrastructure

Niche hospitality to support increasing demand from business travelers

Modern work environment encouraging innovation

Targeting to be certified as a LEED Gold project

Technology Free Zone to support growth of tech eco-system

## Return Expectations:

Investment IRR: 27%+

Return on Investment: 4x

## Special Technology Zone:

- Developer License application
- Approval as STZ Development

## Regulatory Approvals:

- Utility NoCs
- Height Approvals
- Architectural (SBCA)
- Structural
- Environment

## Design:

- Concept Design
- Detailed Design
- LEED Pre-certification

## Construction:

- Tender Development
- Tendering process
- Ground Breaking

Completed In-Process To be initiated

## Award Winning Design Team:

SQUIRE & PARTNERS

atelier ten

1508 LONDON

NAJMIA BILGRAMI (PVT) LTD

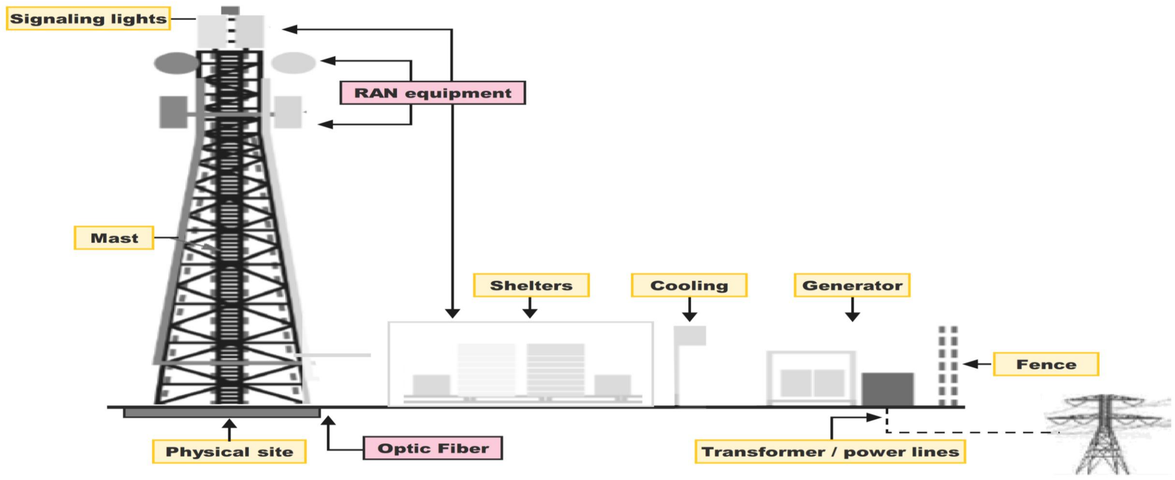
Pell Frischmann Excellence through innovation

SMC CONSULTING ENGINEERS

EUMADA

# New Initiative: Telecom Towers

## Telecom Tower Business




- ✓ Globally Mobile Network Operators ("MNOs") have separated their tower infrastructure business -> created independent tower operating co.s ("TowerCo").
- ✓ TowerCos operate on a rental model (with the MNO being the tenant)
- ✓ Active Equipment is owned by the MNO, whereas the passive tower infrastructure i.e. the Physical Site, Mast, Power Equipment etc. is owned and operated by the TowerCo
- ✓ Internationally, the TowerCo industry is predominantly structured under a REIT Model

AMERICAN TOWER® CROWN CASTLE SBA

## TPL's Role

| | |
|---|---|
| **Establish Local REIT Fund** | TPL RMC shall establish and manage the local Digital Infra REIT Fund which shall own the Tower Assets |
| **Transaction Structuring** | Structuring acquisitions under tax efficient and governed REIT Structure |
| **Capital Raising** | TPL RMC shall be responsible for raising the Debt and Equity funding for the acquisition from local and international markets |
| **Management Fee** | TPL RMC and TPL IM (incase of foreign investment) to earn management fee on the Fund's NAV |

## Overview of TASC Towers ("TASC")

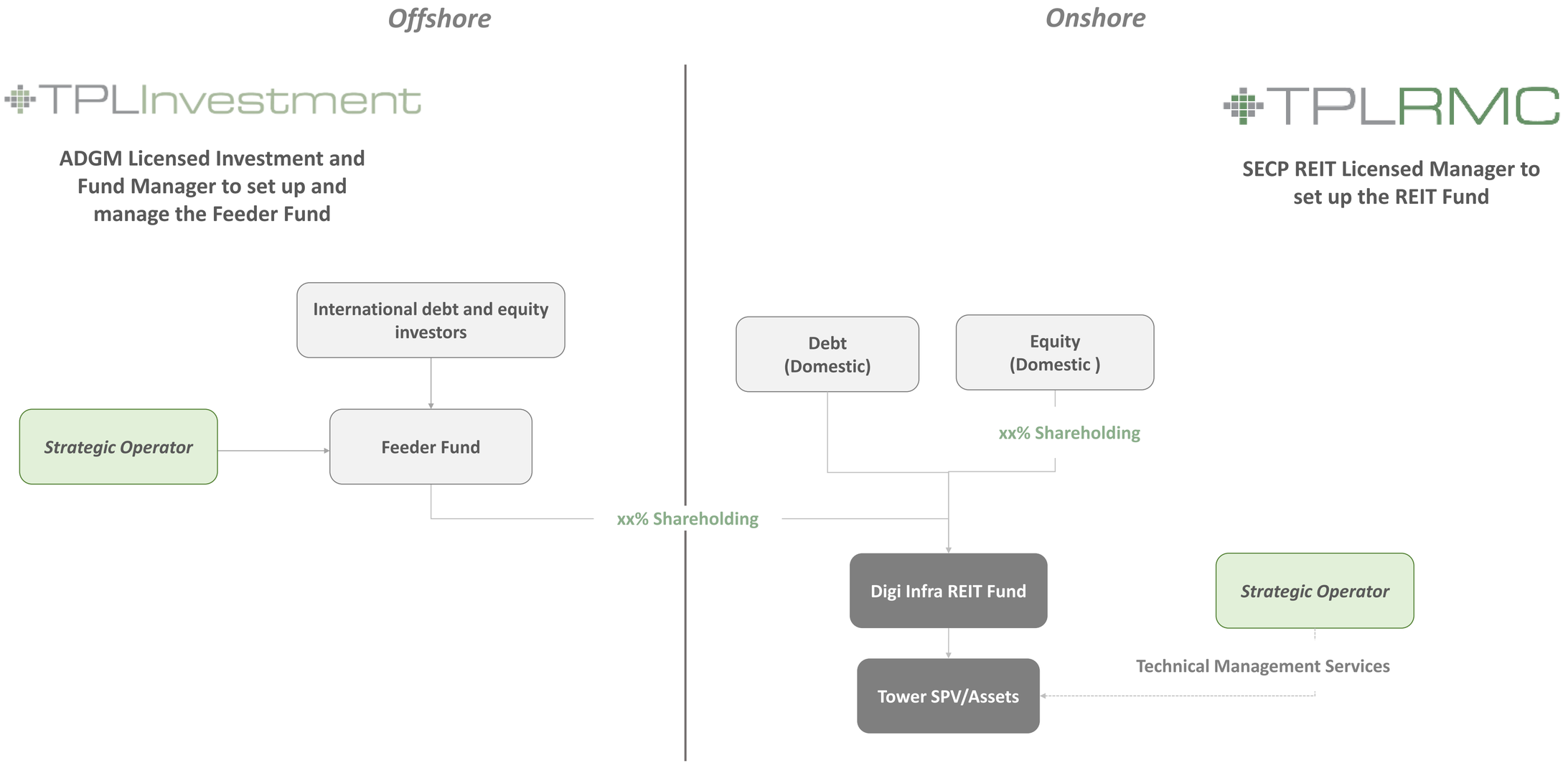
TASC TOWERS

Over 15,000 towers across Europe, Middle East, Africa and South Asia

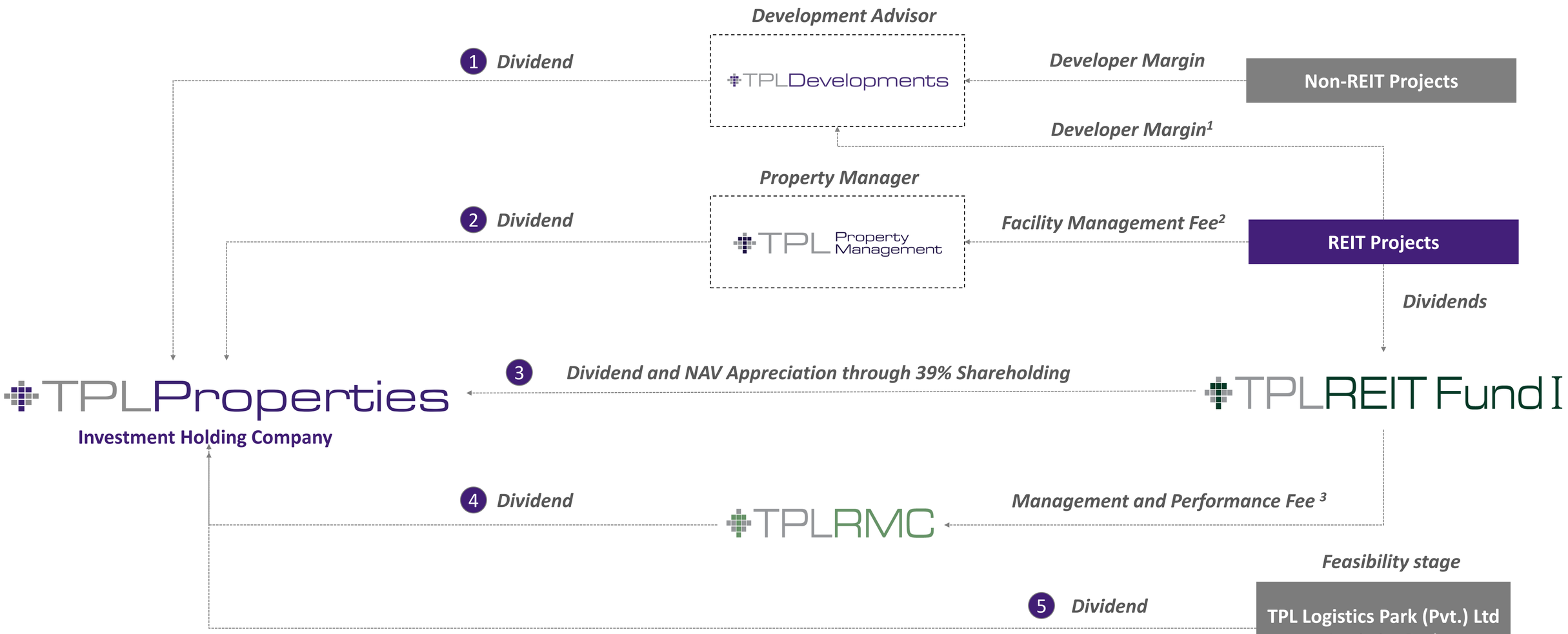
Established by industry veterans with decades of experience across EMs

**Affiliation to Zain Telecom, Kuwait:** Zain, an international telecom operator with presence across 15 countries, owns 25% of TASC towers. TASC recently acquired Zain Group's Jordanian tower assets (2,600+ towers) and is in process of acquiring 7,500 towers across 3 countries in the MEA region

# New Initiative: Tower Investment Structure



# Diverse revenue streams




[1] **Developer Margin:**
- Fixed: 5-10% of Construction Cost
- Variable: 10-15% on the Profit of the Project / Valuation gain on Rental Assets

[2] **Property Management:**
- 5-10% Profit Margin

[3] **Management Fee:** 1.5% of NAV

**Performance Fee:**
- Increase in NAV: 15%
- Profit on Sale of Inventory: 15%

TPLProperties

20th Floor, Sky Tower – East Wing, Dolmen City
Block 4, Clifton, Karachi, Pakistan