

## ESR Group Reports 1H FY2024 Results

*Robust strategy execution positions ESR for next phase of growth*

### **Key Highlights:**

- *Total Fee-related AUM<sup>1,2</sup> increased 2.7% year-on-year to US\$80 billion*
- *US\$2.3 billion of new capital raised in 1H FY2024, up 155% on the same period last year*
- *ESR positioning for next phase of growth through ongoing balance sheet optimisation, streamlining and simplifying business, and the successful early LOGOS rollup and integration*
- *Fully integrated ESR and LOGOS creates a highly scalable real asset platform, cementing ESR's New Economy leadership in APAC*
- *Fast-growing APAC Data Centre platform with an over two-gigawatt strong pipeline of land and projects identified to capitalise on robust digital infrastructure demand driven by the rapid rise of AI with a differentiated value proposition*

**HONG KONG, 21 August 2024** – ESR Group Limited (“ESR” or the “Company”, together with its subsidiaries as the “Group”; SEHK Stock Code: 1821), Asia-Pacific’s (“APAC”) leading New Economy real asset manager, today announced its results for the six months ended 30 June 2024 (“1H FY2024”).

Despite the challenging environment that has persisted since the beginning of 2024, ESR is making steady progress in its key business priorities of **ongoing balance sheet optimisation, streamlining and simplifying its business**, and **completing its business integration with LOGOS**, to set up the Group for the next phase of growth across its Logistics, Data Centres, and Infrastructure and Energy Transition platforms.

ESR continued to make progress on its asset-light strategies and is on track to complete its announced US\$1.2 billion worth of asset syndications and non-core divestments (in gross value). The Group’s accelerated capital recycling efforts are evidenced in the potential listing of ESR China REIT in 2H FY2024. Additional balance sheet asset pipeline divestments are in active execution, primarily in Greater China and Japan.

With a clear focus on New Economy opportunities to fuel its next phase of growth, ESR has made significant progress in streamlining and simplifying its business. Nearly half of the firm’s targeted US\$750 million divestments of non-core assets will be completed within FY2024. The Group has fully divested its interest in ARA US Hospitality Trust and manager and aims to close the sale of the ARA Private Fund business imminently. The targeted remaining non-core divestments have been identified and are in progress.

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<sup>1</sup> Based on FX rates as at 30 June 2024.

<sup>2</sup> Fee-related AUM excludes AUM from Associates and levered uncalled capital.

The Group also accelerated the founder rollup and full integration of LOGOS from its original January 2025 target, enabling the combined Group to capitalise on the benefits of a fully integrated platform, including targeting revenue opportunities and cost synergies across the Group. The combined entity will strengthen ESR's New Economy leadership position in key APAC markets with a combined New Economy AUM of US\$72 billion and bring together the complementary Data Centre and Infrastructure businesses, which are key growth drivers of the Group.

Jeffrey Shen and Stuart Gibson, ESR Group Co-Founder and Co-CEO, said, "The ongoing and focused execution of our stated strategy has positioned the Group to navigate the continued uncertainty and set it up well as rates likely come down and transaction activity rebounds. We have made significant progress in our key business priorities and expect this to start to deliver results as the market turns more positive. Our Fund Management business continues to perform, underscoring the consistent quality and appeal of our assets for investors, the region's largest development workbook, and our best-in-class localised teams."

"On the back of outsized Artificial Intelligence ("AI") demand that is quickly migrating to APAC, we are accelerating our data centre rollout to capitalise on the unprecedented demand for high-performing digital infrastructure in the region. We are confident that APAC's growth trajectory will follow that of more mature markets like the U.S., given the region's huge unmet data centre demand and rapid technology adoption. We are primed to further scale our business and deliver on our growth strategies as the anticipated interest rate cuts spur a substantial rebound in capital partner activity," Jeffrey and Stuart added.

Philip Pearce, Deputy CEO of ESR Group and CEO of ESR Australia & New Zealand ("ANZ"), said, "The successful early integration with LOGOS creates a highly scalable platform which not only allows us to unlock additional revenue and cost synergies, but also positions ESR in the strongest position to capitalise on the next phase of growth. As we look to the next five years, the APAC region is poised to account for nearly 30% of the global data centre capacity expansion. This is reminiscent of the significant surge of e-commerce that reshaped the logistics sector a decade ago, and I am optimistic about the extraordinary opportunities this presents for ESR."

## 1H FY2024 Financial Summary

	<b>1H FY2024</b>	<b>1H FY2023</b>	<b>Variance (%)</b>
<b>Total AUM<sup>3</sup> (US\$ billion)</b>	154	147	4.4
<b>Total Fee-related AUM (US\$ billion)</b>	80	78	2.7
<b>Revenue (US\$ million)</b>	312	455	(31.4)
<b>Fund Management EBITDA / ex. promote fees (US\$ million)</b>	174 / 174	329 / 193	(47.1) / (9.8)
<b>EBITDA<sup>4</sup> (US\$ million)</b>	132	550	(76.0)
<b>PATMI<sup>5</sup> (US\$ million)</b>	(58)	304	(119.1)

ESR Group recorded Total Revenue of US\$312 million for 1H FY2024, of which the Fund Management Segment Revenue comprised over 80%, underpinned by overall stable management fees. Fund Management EBITDA was US\$174 million in 1H FY2024, compared to US\$329 million in 1H FY2023, due to the lack of promote income recorded during the period. This is reflective of the current phases of the Group's fund lifecycles and the overall real estate cycle, and ESR would expect promote fee income to return in subsequent periods with a change in market conditions. Fund Management EBITDA margins excluding promote fees stayed resilient at approximately 70%.

The Group's EBITDA was US\$132 million, compared with US\$550 million over the same period in 2023. 1H FY2024 PATMI was negative US\$58 million, compared with US\$304 million over the same period in 2023. The decrease in profit, which is primarily non-cash in nature, is mainly attributable to a loss associated with non-core or near-term divestments, as well as non-cash asset revaluations and a lack of promote fee income in the current reporting period. The impact on profit is not reflective of the core operating earnings or the expected long-term performance of the Group. These factors are reflective of current market conditions, including the prolonged high interest rate environment, muted capital partner transaction activity, and continued macroeconomic softness in China.

ESR's liquidity position remains healthy through proactive capital and interest rate management. The weighted average interest cost was further reduced to 4.9% from 5.6% in the prior year. The Group is executing on the staggered refinancing and planned repayment of debt to reduce its gearing towards the lower end of the 20-30% range as the capital recycling and non-core assets get completed.

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<sup>3</sup> Included the reported AUM of the Associates and assumed the value of the uncalled capital commitments in the private funds and investment vehicles on a levered basis.

<sup>4</sup> Calculated as (loss)/profit before tax, adding back depreciation and amortisation and finance costs (net). Excludes the share-based compensation expense, share of fair value on investment properties and financial assets at fair value through profit or loss and financial derivative assets in relation to certain Associates, as well as impairment loss for non-core divestment and transaction costs related to the Company's announcement on 13 May 2024 for a possible privatisation of the Company which, if proceeded with, could result in a delisting of the Company from the Stock Exchange (the "Transaction Costs related to Indicative Proposal").

<sup>5</sup> Refers to (loss)/profit after tax and minority interests. Excludes the amortisation of intangible asset attributable to the ARA Acquisition (net of tax), share-based compensation expense related to ARA, share of fair value on investment properties and financial assets at fair value through profit or loss and financial derivative assets in relation to certain Associates, as well as impairment loss for non-core divestment and Transaction Costs related to Indicative Proposal.

## **Next Phase of Growth**

### **Accelerating Data Centres Strategy to Capitalise on Robust AI-driven Demand**

ESR is in a unique position to access a substantial pipeline of data centres through both off-market transactions, as well as its development assets, in anticipation of an CAGR of approximately 20% in data centre capacity in APAC through 2028<sup>6</sup>.

ESR is focused on executing its 575 megawatts (“MW”) of committed data centre sites in key markets across APAC, with a pipeline of more than two gigawatts worth of land and projects currently identified. The Group is on track for 375 MW of projects under construction by the end of FY2024, with the first facility in Japan ready for service by May 2025.

Designed with regional AI and Cloud expansion in mind, ESR’s multi-model operating platform maximises flexibility to accommodate diverse customer needs, serving as a key differentiator for its business. With strong local expertise and a proven track record across the full development process, ESR’s end-to-end in-house capabilities allow it to unlock the full potential of the largest and one of the fastest-growing data centre markets globally.

### **Fulfilling Investor and Customer Demand with APAC’s Largest New Economy Development Workbook**

New Economy growth on the back of structural trends in AI and e-commerce continues to drive demand for data centre and large-scale modern logistics space solutions. ESR’s workbook is geographically diversified across all major ‘Tier 1’ APAC markets and concentrated in the most sought-after sub-markets. The Group has APAC’s largest development workbook of US\$13.1 billion, in which over 50% are in ANZ, Japan, and South Korea. ESR’s data centres represented 34% of 1H FY2024 development starts. Leveraging its strong track record and in-house capabilities across the local markets, the Group continues to execute on its development workbook as a core engine of growth.

### **Emerging Infrastructure and Energy Transition Platform**

ESR’s emerging Infrastructure and Energy Transition platform will be significantly strengthened by the integration with LOGOS, particularly in the ANZ and Southeast Asia regions, representing one of its three key drivers for future growth. This combined platform presents an opportunity to leverage adjacent and growth opportunities within ESR’s New Economy real estate business and extensive network. The platform is well-poised to scale up further with under the key pillars of Energy Transition, Digital Infrastructure, Transport Logistics, and Environmental Solutions as global trends of decarbonisation, digitisation, deglobalisation and circular economy gain momentum.

## **1H FY2024 Operational Summary**

### **Strong Appeal of New Economy Opportunities Drives Capital Raising**

Reflecting investors’ confidence in our products, ESR raised US\$2.3 billion in capital during 1H FY2024. This was an increase of 155% against the same period last year, despite a second consecutive year of muted fundraising for the sector. Investors remain keen to allocate to APAC New Economy, with logistics real estate and data centres remaining as the preferred asset classes. With the anticipated U.S. interest rate cuts, investors’ appetite for ESR’s proven strategy is expected to rebound and support capital raising across its core and development funds.

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<sup>6</sup> Moody’s Ratings, July 2024.

### **Resilient New Economy Demand Support Leasing Momentum**

ESR leased out 3.9 million square metres (“sqm”) of space in 1H FY2024, up from 2.1 million sqm of space in the same period last year. Overall portfolio occupancy rate was at 87% (94% excluding Mainland China) as at 30 June 2024. The overall occupancy rate was impacted by some significant development completions in Japan and Mainland China. Occupancy for the portfolio excluding Mainland China and the impact of these newly stabilised assets remained strong at 97%. The Group achieved weighted average rental reversions of approximately 10.7% overall (19.4% excluding Mainland China). The Group maintained a well-staggered lease expiry profile with a healthy weighted average lease expiration (“WALE”) (by income) of 4.6 years for its New Economy portfolio. Meanwhile, the Group’s customer base continues to diversify, with expanding relationships with key customers across multiple markets.

### **ESG Commitment to Create Space and Investment Solutions for a Sustainable Future**

ESR has made significant progress against its targets set out under its ESG 2030 Roadmap. In 1H FY2024, the Group recorded nearly 3,000 volunteer hours in community outreach activities, creating tangible social impact. 148 MW of rooftop solar power capacity, as well as over 1,000 EV charging stations, have been installed across the portfolio as part of its transition to a low-carbon future. In the pursuit of net zero carbon, several of ESR’s business units have established decarbonisation targets. For example, ESR Data Centres has set an ambitious target to achieve 100% renewable energy use across all its data centre assets by 2040, with an interim target of 75% renewable energy by 2030. The Group’s ISS Governance Quality Score leapt to 1<sup>st</sup> decile from 8<sup>th</sup> decile in 2023, outperforming over 600 APAC peers, a testament to its enhanced ESG disclosures.

### **Outlook – Well Positioned to Capture Next Wave of New Economy Growth**

Commenting on the outlook, Jeffrey and Stuart said, “We expect the near-term industry-wide challenges to persist in 2024. However the expected rate cuts are likely to act as a strong catalyst for the business heading into 2025. Our outlook remains optimistic in view of the Group’s consistent focus on the New Economy and the positive structural trends across our platforms. We are confident that the take-up of our high-quality and newly stabilised assets in Mainland China and Japan will increase as local markets stabilise. In Mainland China, RMB insurance capital raising is expected to become more active despite the continued market softness. With prudent capital management measures in place, the Group stands to benefit from the anticipated U.S. interest rate cuts, including a further optimised debt portfolio and reduced interest expense. Any interest rate cut is expected to substantially boost capital raising activities and create a more favourable environment for non-core divestments and positive asset revaluations. We remain focused on delivering sustainable AUM growth and returns for our capital partners and investors. Looking ahead, the transformative growth opportunities within our robust Data Centres and Infrastructure platforms, driven by digitisation, AI adoption and energy transition, reinforce our confidence in the Group’s future growth trajectory.”

**About ESR Group**

ESR Group is Asia-Pacific's leading New Economy real asset manager and one of the largest listed real estate investment managers globally. Our fully integrated fund management and development platform extends across Australia/New Zealand, Japan, South Korea, Greater China, Southeast Asia, and India, including a presence in Europe and the United States. We provide investors with a diverse range of real asset investment and development solutions across private and public investment vehicles. Our focus on New Economy real assets offers customers modern solutions for logistics, data centres, life sciences, infrastructure, and renewables. Our purpose, Space and Investment Solutions for a Sustainable Future, drives us to manage sustainably and impactfully for the communities where we operate and the spaces we develop to thrive for generations to come. ESR Group is listed on The Stock Exchange of Hong Kong (HKSE: 1821.HK). Visit [www.esr.com](http://www.esr.com) for more information.

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