



TRANSCRIPT
Manulife US REIT's 1H2025 Results Briefing
Virtual, 14 August 2025, Thursday

On the Panel:

Mr John Casasante, Chief Executive Officer and Chief Investment Officer
Mr Mushtaque Ali, Chief Financial Officer

Mr John Casasante: Good morning, everyone, and welcome to our 1H 2025 results briefing.

In the first six months of 2025, we completed the divestment of two assets, Plaza in Secaucus, New Jersey and Peachtree in Atlanta. Proceeds went towards repayment of approximately US\$160 million of 2026 debts.

Operationally, our same-store occupancy has held steady at 68.4%, with a portfolio WALE of 4.6 years. We executed about 125,000 sq ft of accretive leases in the first half of 2025, excluding Peachtree, which is about 3.5% of our portfolio NLA.

Financially, we reported a same-store net property income of US\$26.5 million, which is an 11.2% year-on-year decline.

Aggregate leverage improved to 57.4%, from 59.4% three months ago, mainly due to debt repayment.

Income available for distribution declined 34.7% to US\$14.9 million.

I will hand over to Mushtaque to elaborate more on our financial performance in the subsequent slides.

Mr Mushtaque Ali: Thank you, John. I will now go through the key highlights from the first half financial results in more detail.

The net property income (NPI) on a total portfolio basis declined US\$12.6 million, of which a US\$9.3 million decrease was due to the disposition of three assets, namely Capitol, Plaza and Peachtree.

If we strip out the impact of these dispositions from our financial results, our NPI was down US\$3.4 million, or 11%, on a same-store basis. Most of this decline came from Tranche 1 assets, in particular, Diablo in Phoenix, which saw a drop in occupancy from 98% to 38%, resulting in a US\$2.7 million decrease in NPI alone.

The portfolio benefited from lower property and trust level operating costs through our effective controls over expenses and cost reduction strategies. This includes a reduction in property taxes in Figueroa and Michelson through successful tax appeals.

The finance expenses also decreased as a result of debt repayments done in 4Q 2024 as well as 1H 2025 (February and June). The full impact of these will be visible in future periods. At the Trust level, management fees were lower by US\$0.9 million.

To provide breakdown of performance by tranches of our assets and properties, as you can see, Tranche 3 assets, which include Phipps and Michelson, show signs of stability and witnessed a slight growth of 2% in NPI.

Tranche 2 assets, which comprise Exchange, following our divestments of Peachtree and other assets, had a lower NPI. That was partly due to absence of termination fees.

As mentioned earlier, majority of the decline came from Tranche 1 assets, especially Diablo which reported a US\$2.7 million decline in NPI.

Another key point to highlight is that NPI was down US\$1.8 million, if we exclude the impact of lease termination income that was earned in this half of this year as compared to last year, same period.

From our financial position perspective, in the last 12 months and especially in the first half of this year, we have significantly strengthened our balance sheet and reduced our third-party debt.

With the proceeds from the sales of assets in the first half of the year, we have repaid approximately US\$161 million, and together with our own cash, we repaid another US\$25 million in debt in the first week of July.

After the US\$25 million debt repayment, our pro forma leverage is at 56.3%.

I do want to highlight that in the US\$559 million of debt remaining, US\$137 million is owed to our sponsor Manulife, which makes up 24.5% of our debt. It is now the second largest lender of MUST in size. The externally owned debt represents 42.5% of our total assets after the US\$25 million debt repayment.

One of the questions that we often receive is why our aggregate leverage has not reduced despite significant reductions in debts. To give you a clearer idea, a 9.3% decrease in valuation was observed in FY 2024. If we strip out the impact of the revaluation loss after all the debt repayments, we would have achieved an aggregate leverage of closer to 50%.

As you can see, we have no remaining debts outstanding in 2025 and only US\$35.6 million remaining in July 2026.

The overall objective of the recapitalisation that commenced at the end of 2023 was to address the 2025 and 2026 debt maturities. As you can see, we have made substantial progress on this goal.

In terms of our weighted average interest cost, it stood at 4.03% as at 30 June 2025 and it was lower in comparison to last year, mainly due to debt repayments that we achieved in the first half of the year.

As we noted in prior presentations, we have a hedge policy in place, and we manage our interest rate risks by having our hedged and fixed ratio to be within 50-80% of our total debt.

Currently, we are at 89% hedged, and for the rest of the year, we will remain at 75% hedged or fixed. In terms of interest rate outlook, as we all know, the market has a broad consensus that there will be rate cuts. However, the timing and the quantum of this remain uncertain.

Our hedging policy is well-positioned to protect the portfolio from interest rate risks, but also to take advantage of the lower rates, which is a key goal for our interest rate management strategy.

This slide gives more colour to our interest coverage ratio (ICR). You can see that our ICR is at 1.6x. However, if you take the non-cash component out, such as the Sponsor-Lender loan exit premium and the one-off penalty fee which we paid at the end of December 2024 under the Master Restructuring Agreement (MRA), it would have been 1.9x.

The Bank ICR, which is a slightly different definition, was at 1.9 times, which is well in compliance with the current requirements to be at 1.5 times.

We will continue to pursue our growth strategy and accretive leasing to improve our EBITDA, in order to improve our ICR going forward. Any interest rate cuts and further repayments will also help to improve the ICR.

With that, I will pass the time to John.

Mr John Casasante: Thank you, Mushtaque.

On our leasing performance, portfolio occupancy remained stable on a same-store basis at 68.4%.

The WALE of our leases executed in 1H 2025 was 3.8 years. There was a mix of longer-term new and expansion leases of 5 to 8 years and some shorter renewals. Given where the market currently is at, we see shorter term deals as a positive so as not to lock into rental rates at a low point. Shorter deals generally also require less capital expenditure (CapEx).

Despite rent reversion of -10.0%, 8 out of 10 of our leases signed were above market rates. This is something we strive to achieve under current market conditions.

By NLA, 44.6% of leases signed in 1H 2025 were renewals, 44.6% were new leases, and 10.8% were expansions.

I know we have been sharing this slide for a few quarters now. But I want to reiterate that we remain on course with our strategic leasing strategy. I think it's important to see the different cycles that deals go through, during the various stages of the leasing cycle.

From the outset, our approach has been to deploy capital strategically, looking at deals based on liquidity and accretive value within our portfolio.

We currently have 900,000 sq ft of leases in the pipeline in various leasing stages, ranging across tours, proposals and negotiations.

We have spoken a lot about strategic leasing and creative leasing. I want to just give a few examples of deals that we've done recently. Again, this is just a couple that we wanted to showcase. By no means is this all of them. We consider every deal that we've done to date not only being accretive, but also strategic in nature.

At Centerpointe, we signed a new 8.5-year lease with a real estate firm at below-market tenant improvement allowances (TIs). This tenant's existing building was planned for redevelopment, which was something that obviously wasn't advertised by their broker, but through our local market knowledge across the Sponsor's platform, we were able to obtain this information. This gave us a clear advantage in the negotiation because at this point, we knew a renewal was not an option for this tenant. We also knew the space that they had identified in our building was a very unique and special space, which allowed us to feel confident in the negotiation to provide a deal that was above market. Essentially, we held to our asking rent because we knew we had a competitive advantage compared to its other options in the market.

At Phipps, in Atlanta, we signed a new 3-year lease with another real estate firm at above market rent and low single-digit TIs. We knew that the tenant needed a quick start date, and we were able to offer move-in ready full floor space. This company is owned by a very large and well-known investment manager, and the success of this deal led us to another potential full floor leasing opportunity with another subsidiary of the parent company. So again, not only was the deal strategic from the standpoint that the deal on a standalone basis made sense for us, but we knew that we could benefit from future deals, given how quickly we turned this deal around for them. Not to mention we also now have a lease template that we can use again with the same firm the next time we do a deal with them.

At Michelson, in Orange County, California, we secured a 12-month parking license agreement with a major tenant for 200 parking spaces. So not only did we do a favour for our tenant to provide these parking spaces, but it also allowed us to generate some extra income. It was a 12-month deal with an option to extend month to month thereafter. This enables us to generate additional revenue without requiring any CapEx, and as mentioned before, this was an accommodation to an existing tenant as well.

At Figueroa, we are close to executing a new 40,000 sq ft lease with a financial firm at above market rent and low TIs. We knew that our building was the targeted space for the tenant, even though there were other buildings they were looking at. We knew that we had something to offer this tenant that no other building could. We had top building signage and knew this tenant wanted top building signage at minimum for the period through and up to the Summer Olympics in 2028. We structured this deal to make it a win-win for both parties, and ultimately it gave us the flexibility and gave the tenant the ability to have signage up to their minimum point in time. We also reserved the right in the future to be able to take back the top building signage post the Olympics if we find another tenant that requires top building signage. So again, this deal was a win-win for both parties, and we were able to strike this deal by having some leverage in the negotiation, knowing we had something unique within the market.

This slide illustrates our portfolio lease expirations.

Penn stands out at 5.7%, of which 5.0% is made up of by US Treasury. As we mentioned in the past, we are in the midst of working through a 24-month lease extension with the US Treasury. We anticipate this will get executed hopefully in the next 30 to 60 days. This extension gives us a longer runway as the Washington D.C. market continues to stabilise. We are optimistic that this will get done in the next month or so.

This slide shows our top 10 tenants, with a 4.5-year WALE. It's important to note, as we've highlighted in blue, that half the tenants have renewed or expanded with us since 2023. Once we complete the US Treasury deal, that would be 6 of the 10 tenants.

This is a new slide that we have modified, which I think is a very critical slide for us to go through in detail with the audience. Many of you are familiar with our three phases of where we are at: Stabilisation, Recovery and Growth.

Post default, we implemented Risk Management as one of our strategies, which was kicked off by the MRA as our first step of Stabilisation. Through the debt repayment of US\$465 million, or 45% of our outstanding debt, we furthered our stabilisation.

Our goal has always been to get MUST to Growth. This would be executed through acquisitions (inorganic growth), reinvestment into our existing assets (organic growth) and/or repayment of debt to maximise returns for unitholders while minimising dilution.

Our strategy to get us to Growth remains unchanged, comprising of four components: Risk Management, Capital Markets, Asset-Level Strategy and Portfolio Optimisation.

I think it's key to keep in mind that each one of these four pillars of our strategy play a role in all these phases.

Post the default back in 2023, the MRA was the first step and key component of Risk Management. We prioritised risk management under the Stabilisation phase given that we had upcoming debt maturities in 2025 and 2026. Moving forward, we will continue to manage liquidity and our financial covenants as we move into the Recovery and Growth phases as part of risk management.

Under Capital Markets, we plan to continue managing our debt maturities and when the time is right, access capital markets for growth solutions.

On the Asset Level Strategy, periodic hold-sell analysis is critical to determine how we can optimise our capital allocation to improve asset performance.

And finally, Portfolio Optimisation involves capitalising on value opportunities created by market dislocations. We also plan to diversify the portfolio to achieve sustainable risk-adjusted returns to create value for our Unitholders.

Just to add, if you look at this slide, amongst the four pillars of our strategy, in the middle is our key objective and that is value creation for our unitholders.

The next slide on 'Advancing through final stages of stabilisation' shows what we have accomplished post-default, which is significant progress in debt repayment that has been made since December 2023.

In November 2023, we had a debt balance of over US\$1.02 billion. Today, we have since paid down approximately US\$465 million of debt, close to 50%. This has required a lot of heavy lifting as the U.S. economic and capital markets environment has not made this easy.

Given the aforementioned, it is unfortunate that we had seen a valuation decline last year in the U.S. and within our portfolio. Otherwise, if valuations would have stayed constant, our gearing would have been at around 50% today.

Having made significant progress in debt repayment, we are now on stronger footing to get through the Stabilisation phase and move into Recovery and Growth. Discussions with our

key lenders are ongoing and conversations include exploring strategies beyond dispositions that would pave the way for growth.

Dispositions going forward need to be tied to a path of growth. We will continue to evaluate liquidity, as we always do in our portfolio, to maximise proceeds for growth and recycling capital. We will tap into the Sponsor's real estate platform for opportunities to diversify into higher-yielding assets to maximise returns for unitholders. I participate on the weekly pipeline call with our Sponsor, so I have complete visibility of what is in the marketplace.

Part of improving our NPI and book value comes with continued discipline in leasing.

Whilst there are market challenges and risks that could affect our growth plans, these also present opportunities for growth during these Great Vintage Periods.

Whilst there is still limited liquidity for office assets in some submarkets, but overall, the situation is continuing to improve, particularly in other property types.

U.S. office properties continue to have high capital requirements and funding. These remain challenging as we have limited capital. Selling some of our office buildings with high-CapEx requirements and recycling or reinvesting the capital into our existing properties with lower costs of occupancy will help drive organic growth and book values.

Lastly, debt and capital markets are recovering gradually, and it will allow us to capitalise on opportunities created by market dislocations for our path for growth.

To conclude, we have reduced our debt balance significantly. We are now focusing on paving the way for recovery and growth.

This brings me to the end of my presentation.

- End -