

Singapore

ADD (no change)

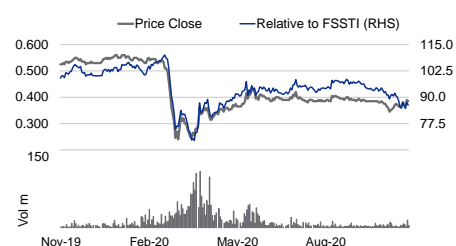
Consensus ratings*: Buy 5 Hold 2 Sell 0

Current price:	S\$0.385
Target price:	S\$0.494
Previous target:	S\$0.492
Up/downside:	28.4%
CGS-CIMB / Consensus:	14.2%
Reuters:	ESRR.SI
Bloomberg:	EREIT SP
Market cap:	US\$1,017m
	S\$1,364m
Average daily turnover:	US\$1.21m
	S\$1.65m
Current shares o/s:	3,169m
Free float:	61.2%

*Source: Bloomberg

Key changes in this note

➤ FY20-22F DPU adjusted by -0.2% to +0.3%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	0	-26.7
Relative (%)	-10.1	-8.8	-12.3

Major shareholders

	% held
Tong Jinquan	30.8
e-shang Infinity Cayman	7.7
Vanguard	2.2

Analyst(s)

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ESR-REIT

Larger is better

- We view the potential merger positively as it paves the way for long-term growth on larger market share, wider pool of capital and lower financing cost.
- Minimal impact from Covid-19. We expect a stable outlook for EREIT.
- Reiterate Add. The stock is trading at 7% yield and 0.91x P/BV.

A merger to pave the way for stronger long-term growth

ESR REIT (EREIT) and Sabana REIT (SREIT) will seek shareholders' approval in EGMs on 4 Dec 20 for the merger between the two REITs. If approved, the merger is targeted for completion by 1Q2021F. We view the merger positively as it paves the way for stronger long-term growth. Independent financial advisers have also recommended unitholders to vote in favour of the merger. The merger will create a sizeable S-REIT with AUM of S\$4.1bn, placing it as the 5th largest industrial REIT in Singapore. This brings it closer to inclusion into the FTSE EPRA Nareit Developed Asia Index which allows it access to a wider pool of capital and potentially re-rating. The top 4 industrial REITs in Singapore are constituents of the index and are trading at 1.1x to 1.8x P/BV. Management hopes to join the index in 1-2 years.

Size does matter

A re-rating would lower its cost of capital and allow more financing flexibility to pursue growth which is crucial for both EREIT and SREIT to overcome the structurally short land lease tenure of industrial properties in Singapore. We think AUM size and backing of a strong sponsor are important in determining the financing cost of a REIT. This is demonstrated by the ability to lower SREIT's financing cost from 3.8% to 2.5% and free the assets from encumbrance post-merger. While the deal is proforma DPU accretive for both REITs, we see more room for DPU improvement as the enlarged REIT could step up AEI and redevelopment activities at lower cost with lower leasing risks and DPU impact due to a wider pool of tenants, lower weighting of each assets in the merged entity and larger market share. There will also be economies of scale across operations, leasing and marketing which could help to improve occupancy, especially for SREIT.

Reiterate Add

EREIT has seen little impact from Covid-19 so far. We expect a stable outlook for EREIT with business parks, high specs and logistics warehouses to post flat to positive rental reversion, offsetting the potential negative rental reversion from general industrial and cargo lift warehouse assets. There are two ongoing and three planned AEIs which could enhance its income further. Income disruption due to AEIs can be buffered by S\$60m divestment proceeds. Financing cost could be reduced due to the lower interest environment and lower hedging. We reiterate Add with DDM-based TP of S\$0.49. The stock is trading at 7% yield and 0.91 P/BV versus its pre-Covid 19 peak of 1.3x. The merger, if approved, will pave the way for stronger long-term growth for the merged entity. Upside/downside risks include stronger/weaker rental reversion.

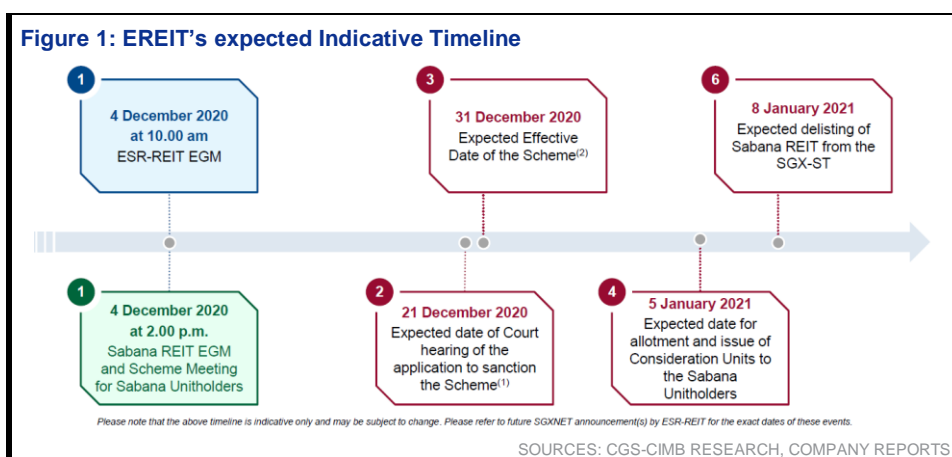
Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Property Revenue (S\$m)	156.9	253.0	236.8	241.6	257.8
Net Property Income (S\$m)	112.0	187.9	168.1	171.6	184.3
Net Profit (S\$m)	(239.5)	(0.8)	93.5	96.4	108.7
Distributable Profit (S\$m)	74.5	132.6	94.8	97.8	110.0
Core EPS (S\$)	(0.14)	0.03	0.03	0.03	0.03
Core EPS Growth	(470%)		(9%)	2%	12%
FD Core P/E (x)	NA	13.27	14.44	14.10	12.54
DPS (S\$)	0.023	0.038	0.027	0.028	0.031
Dividend Yield	6.10%	9.87%	6.98%	7.18%	8.06%
Asset Leverage	41.6%	36.9%	37.2%	37.6%	37.9%
BVPS (S\$)	0.47	0.43	0.42	0.42	0.42
P/BV (x)	0.82	0.89	0.91	0.91	0.92
Recurring ROE	(19.6%)	6.5%	6.2%	6.5%	7.3%
% Change In DPS Estimates			(0.158%)	0.289%	0.207%
CGS-CIMB/Consensus DPS (x)			0.93	0.92	0.91

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Independent Financial Advisers recommend voting in favour of the merger >

ESR REIT (EREIT) and Sabana REIT (SREIT) will be seeking shareholders' approval in an EGM scheduled for 4 Dec 2020. For EREIT, the merger requires >50% of the total number of votes cast by EREIT's unitholders voting by proxy at the EGM for the approval of (i) the merger, and (ii) issuance of approximately 989.9m new shares to Sabana REIT's (SREIT) unitholders. For SREIT, >50% by headcount vote and at least 75% of the value of such Sabana units are required to approve the scheme. If approved, the merger will be effective on 31 Dec 2020 and be completed by 1Q2021. Both EREIT and SREIT's independent financial advisers (IFA) are of the view that the financial terms of the merger are fair and reasonable, hence both IFAs recommend unitholders vote in favour of the merger.



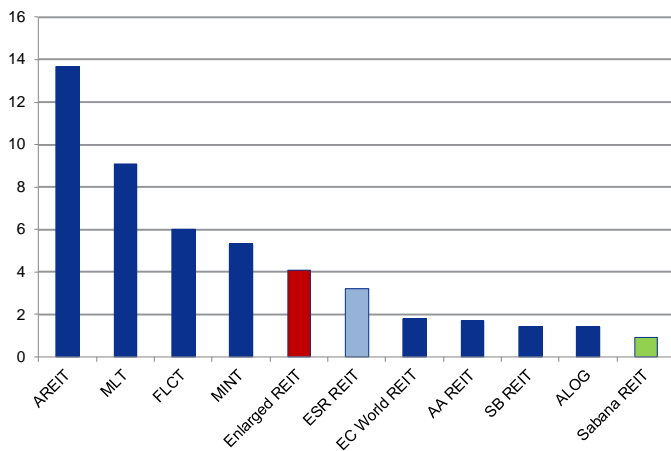
While the implied price of S\$0.36 per share is at a 29% discount to SREIT's NAV/share of S\$0.51 as at Jun 20, we note that the gross exchange ratio of 0.94x is at a premium to the two-year average of 0.84x and in line with its 5-year historical P/BV of 0.74x. In addition, as part of a larger REIT, SREIT would have more flexibility to undergo AEs and improve asset occupancy. More importantly, the merger will allow it to gain a wider pool of capital, lower cost of capital, and allow it to pursue acquisitions more aggressively.

A merger that is beneficial for both REITs >

We reiterate our positive view on the merger; if approved, it will create a relatively large S-REIT with AUM of S\$4.1bn, placing it as the 5th largest industrial REIT in Singapore. This brings it closer to an inclusion into the FTSE EPRA Nareit Developed Asia Index which would allow it to access to a wider pool of capital and potentially a re-rating. The top 4 industrial REITs in Singapore are constituents of the index and are trading at 1.1x to 1.8x P/BV. Assuming EREIT re-rates to 1.1x P/BV post inclusion, the share price would be S\$0.475 (based on proforma NAV post-merger), or 23% upside from the current share price.

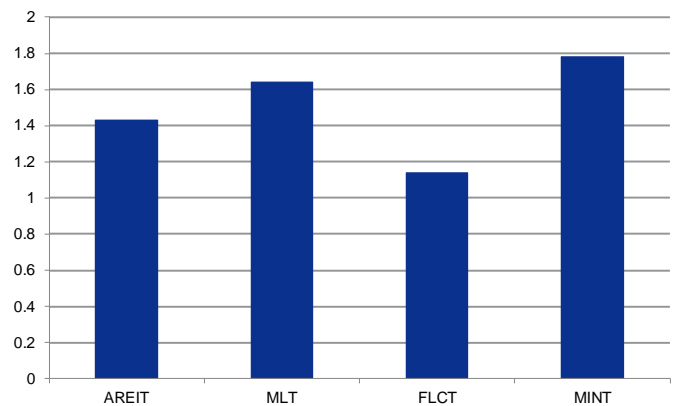
Based on the merger reference price of S\$0.401 and 3,543.2m new shares to be issued, EREIT's free float market cap would increase by 42% to S\$1.26bn post-merger which is only slightly below FTSE EPRA Nareit Developed Asia Index inclusion threshold of S\$1.4bn. If the proposed merger is approved, the REIT hopes to join the index in 1-2 years.

Figure 2: Enlarged REIT would be the 5th largest developer-backed industrial S-REIT by total asset size



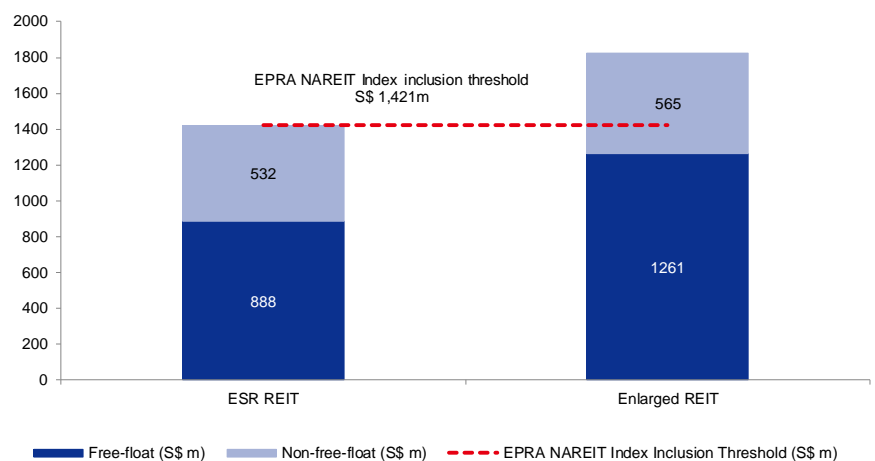
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: P/BV of the top 4 industrial REITs in Singapore



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 4: Potential Inclusion in blue indices

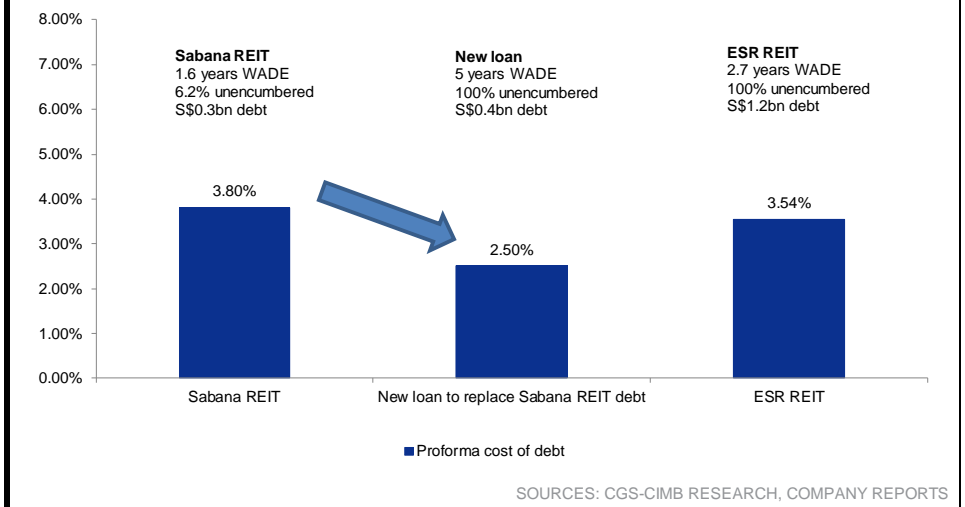


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

A rating would in turn lower its cost of capital and allow more financing flexibility to pursue organic and inorganic growth. We believe the acquisition is important for both EREIT and SREIT to overcome the structurally short land lease tenure of industrial properties in Singapore. EREIT's asset valuation excluding divestments and acquisitions has been declining over the years, mainly due to the declining land lease tenure. The same also applies to SREIT which has seen valuations declining over the past four years. One of the potential markets that EREIT is keen to expand into is Australia where its sponsor, ESR, already has an established presence.

In addition to a potential rating, AUM size and backing of a strong sponsor is also important in determining the financing cost of a REIT. Despite the fact that SREIT's gearing is lower than EREIT and that 93.8% of its assets are encumbered, its financing cost of 3.8% (as at Jun 20) is still higher than EREIT's financing cost of 3.54%. Post-merger, being part of a much larger entity (S\$4bn AUM versus S\$837m pre-merger) and with strong sponsor backing as well as more evenly-distributed and resilient debt maturity profile post-merger, SREIT's financing cost is expected to reduce to 2.5% and all of its assets will be free from encumbrance.

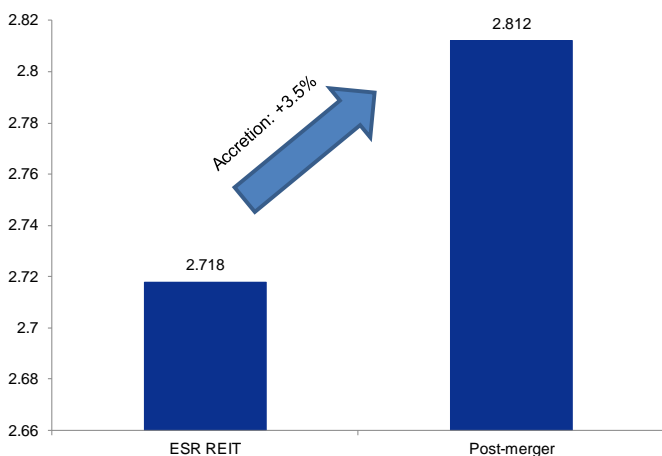
Figure 5: Enhanced balance sheet flexibility and cost of capital



DPU-accretive merger; more room for DPU improvement post-merger ➤

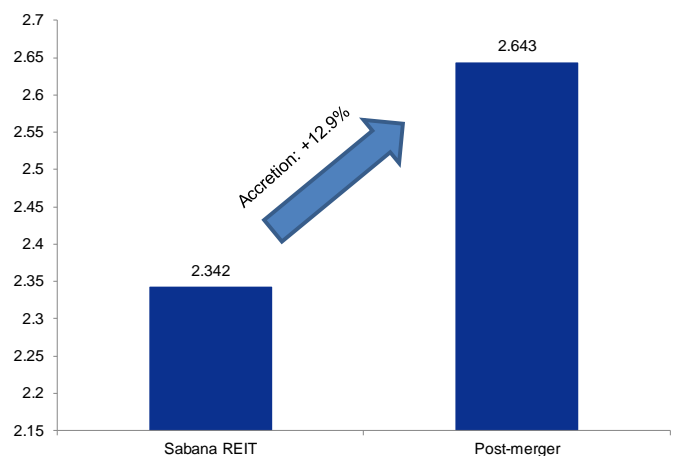
On a proforma basis, the merger is expected to be 3.5% DPU-accretive for EREIT and a substantial 12.9% for SREIT. Post-merger, we see more room for DPU improvement as the enlarged REIT could step up AEI activities given that each asset would have lower weighting in the merged entity and any AEIs would have less of an impact on the bottomline. This is especially true for SREIT which we believe faces more difficulties in conducting AEIs due to its higher asset concentration with its top 3 assets accounting for 47% of the REIT’s gross rental income in 2019. There would be more flexibility to move tenants around for AEIs post-merger, an option which may be less available to SREIT on its own. Construction cost for AEIs could also be reduced due to better bargaining power for the enlarged REIT with market share of EREIT and SREIT increasing from 2.8% and 0.8% to a combined 3.6%, respectively.

Figure 6: ESR REIT DPU accretion on a proforma basis (Scts)



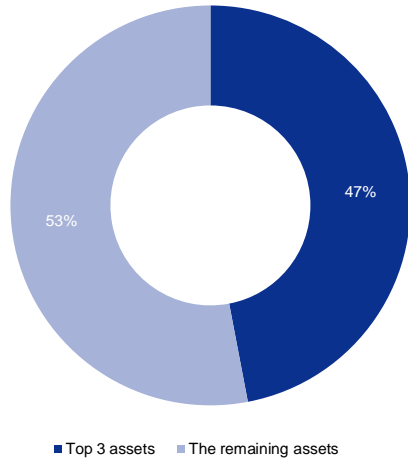
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Sabana REIT DPU accretion on a proforma basis (Scts)



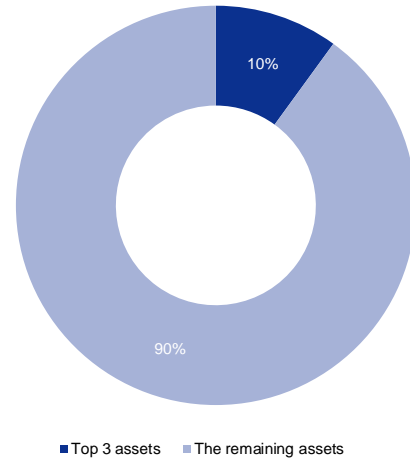
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Sabana REIT - Illustrative GRI contribution of top 3 Sabana REIT assets by FY19 GRI contribution



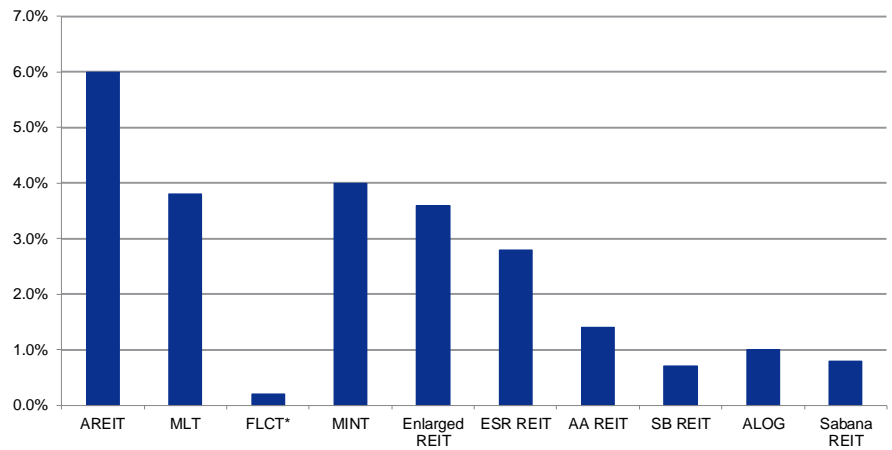
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Post-merger, top 3 assets will only contribute 10% of the enlarged entity's GRI



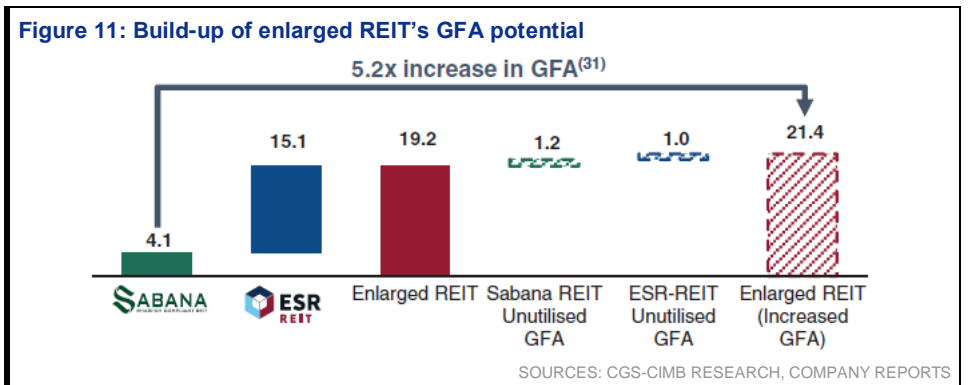
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Industrial REITs' market share by GFA in Singapore as at Jun 2020

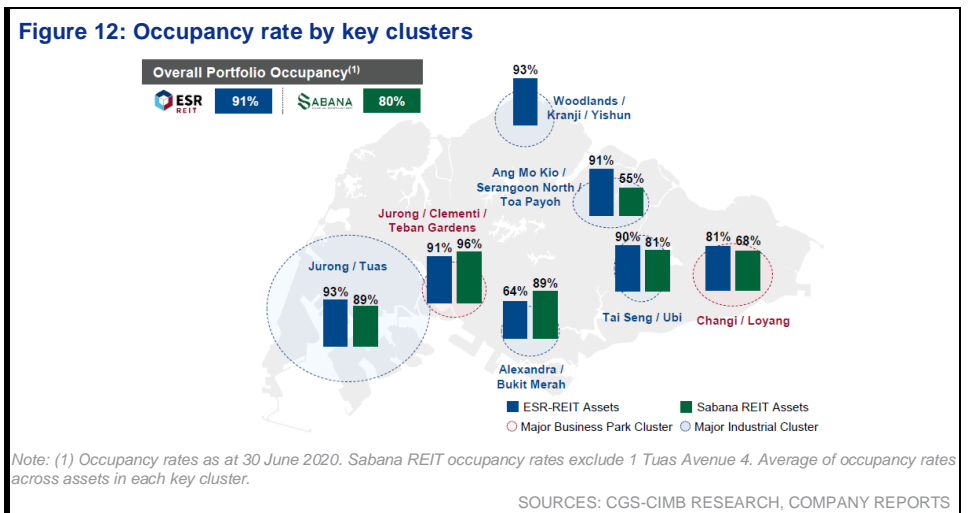


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

SREIT has 1.2m of unutilised GFA (29.3% of Sabana's total GFA) for ESR REIT to tap into. Together with EREIT's 1m sf of unutilised GFA, the merged entity has up to 2.2m of additional GFA from unutilised plot ratio. Through this merger, the enlarged REIT could develop up to 2.2 million square feet of additional GFA at a lower cost of capital with lower leasing risks as it gains access to a larger pool of potential tenants through ESR Group's and EREIT's existing tenant relationships and network, thus unlocking property value and increasing its overall industrial GFA market share.

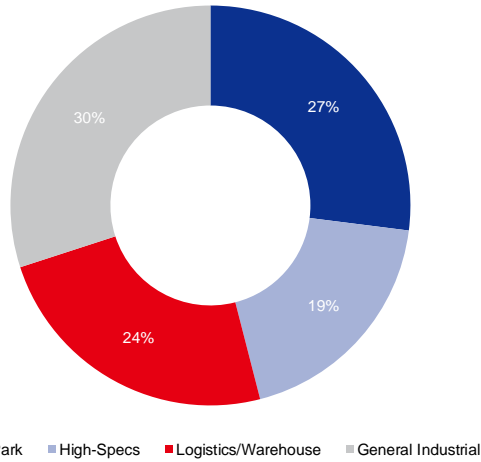


There will also be economies of scale across operations, leasing and marketing. SREIT's average occupancy was lower at 80% versus EREIT's 91% as at Jun 2020. The merged entity could improve this by leveraging its own and ESR's network to cross-sell assets. Close proximity of assets within each cluster could lead to potential cost savings and lower property expenses arising from the integration and optimisation of property management services.



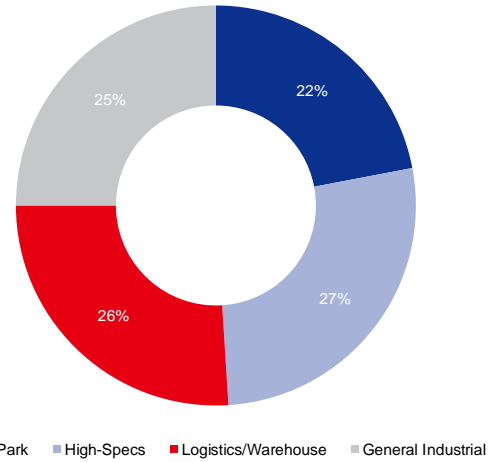
In the immediate term post-merger, EREIT will benefit from higher income contribution from “future-ready” high-specs properties and resilient logistics/warehouse assets which have a more favourable rental outlook versus the older/dated general industrial assets of which contribution would decline to less than 30% of total income post-merger. With a larger portfolio and tenant base, the enlarged REIT will also have stronger bargaining power with service providers and tenants.

Figure 13: ESR REIT: Before merger, high-specs and logistics/warehouse 43% of AUM; General industrial 30%



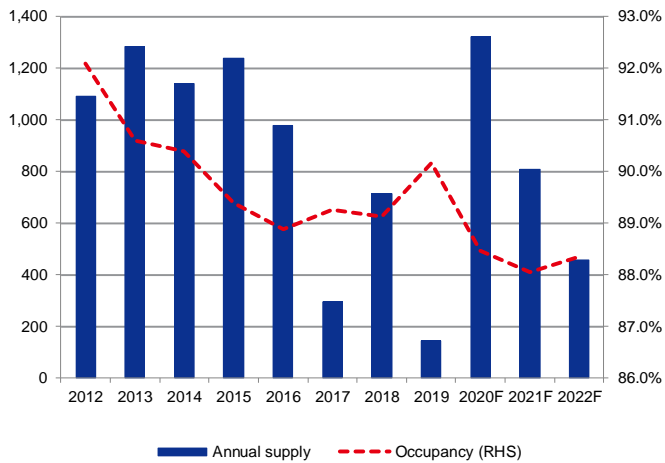
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: ESR REIT: Before merger, high-specs and logistics/warehouse 53% of AUM; General industrial 25%



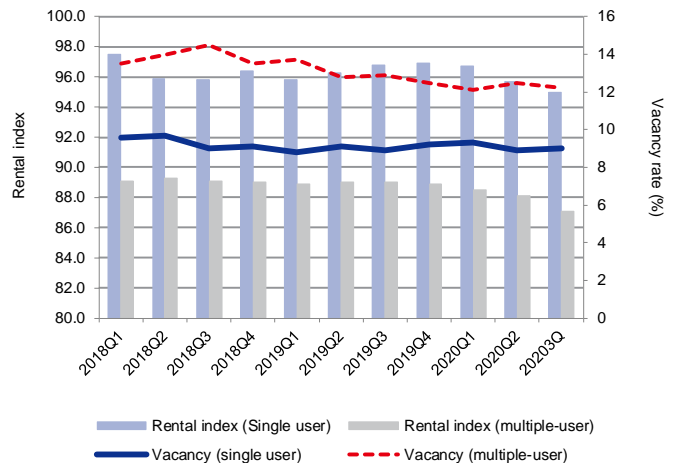
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: Supply of factory space ('000 sqm NLA)



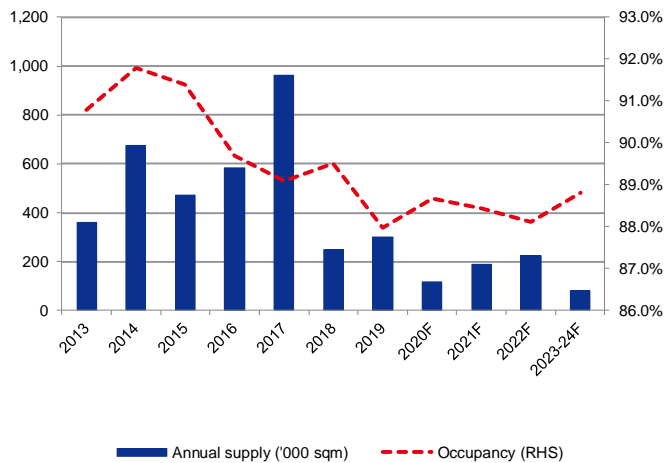
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 16: Vacancy rates and rental index of factory space



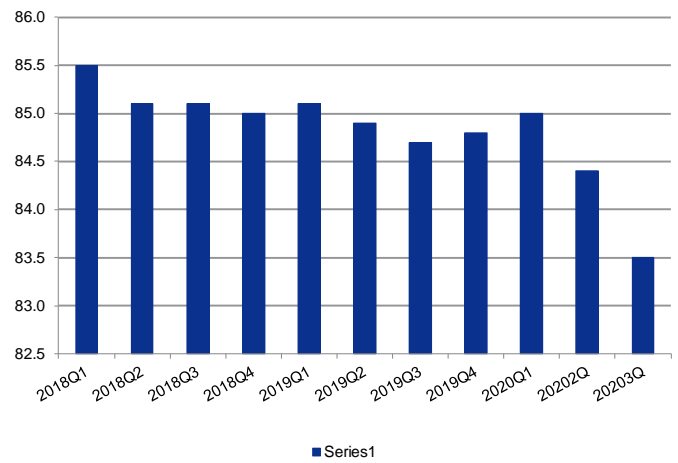
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Supply and occupancy of warehouse space ('000 sqm NLA)



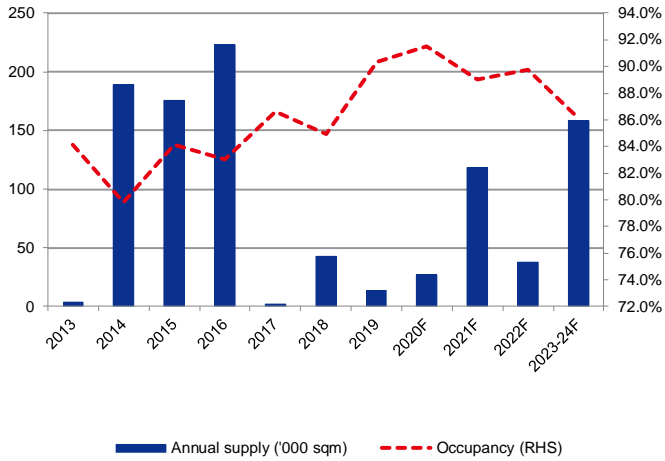
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 18: Rental index of warehouse space



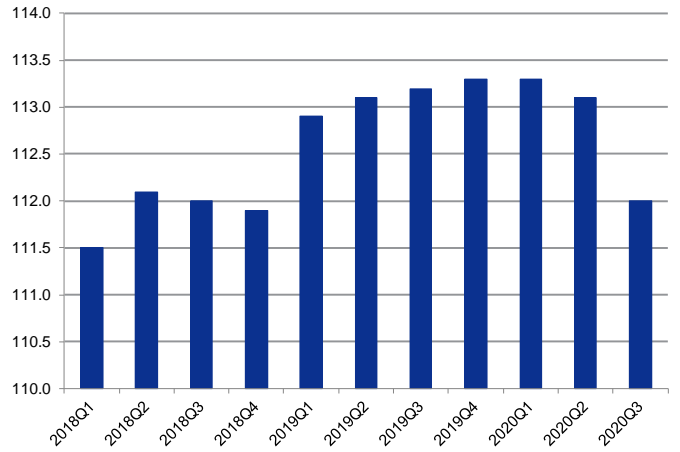
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 19: Supply and occupancy of business park space ('000 sqm NLA)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: Rental index of business park

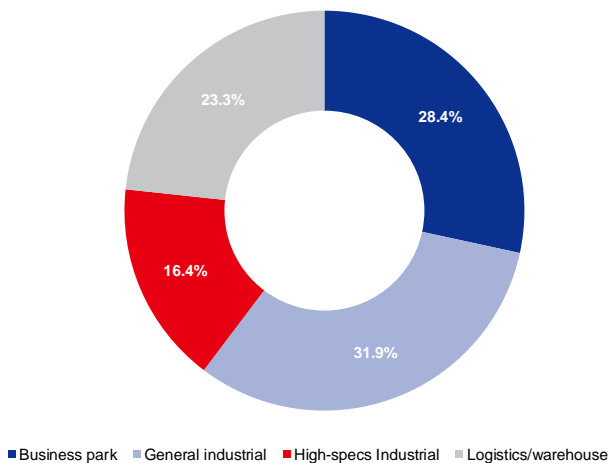


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

What if the merger does not materialise? ➤

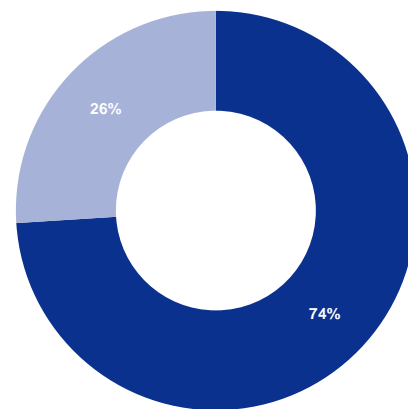
It will be business as usual for EREIT, although it would take longer for it to be included into the index. We expect a stable outlook for EREIT with business park, high specs and logistics warehouse (except cargo lift warehouse) rental to post flat to positive rental reversion, offsetting the potential negative rental reversion from general industrial and cargo lift warehouse assets.

Figure 21: EREIT rental income by asset class (3Q20)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: EREIT rental income by multi/single-tenanted assets (3Q20)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Ongoing AElS. The REIT is undergoing AEI for its asset on 19 Tai Seng Avenue (capex of S\$9m) and resumed rejuvenation works at UE BizHub East (capex S\$8m-9m). The AEI at 19 Tai Seng involves converting the building from general industrial to a high spec building while enhancement works at UE BizHub entailed a reconfiguration of public areas to improve accessibility and traffic circulation, refurbishment of building façade and upgrading of public facilities. The common areas within the property will be improved in order to attract and retain quality tenants.

19 Tai Seng Avenue and UE BizHub East AElS are expected to be completed in 2H21 and 1Q21, respectively. While UE Bizhub accounted for 11% of total revenue in 2019, we understand that the property will remain operational during the AEI, and thus have a minimal impact on the bottomline. 19 Tai Seng Avenue on the other hand took up only 1.2% of total revenue in 2019.

Figure 23: Ongoing AElS

Asset	Capex (S\$ m)	Completion date	Income contribution in 2019	Enhancement work
19 Tai Seng Avenue	9.0	2H2021	1.20%	Conversion of the building from general industrial to high spec building
UE BizHub East	8-9	1Q2021	11.0%	Reconfiguration and refurbishment of public areas; Remained in operation during AEI

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

More AElS in the pipeline. It is also planning for the redevelopment of a new building onsite at 7000 Ang Mo Kio Avenue 5 (capex of S\$45.7m funded via equity fund raising in 2019) which will increase its plot ratio from 1.7 to 2.1, adding approximately 270,000 sf of brand new high-specification industrial space. The property has another 225,000 sqft of GFA remaining for future development. The AEI is expected to commence as soon as regulatory approval is granted and is targeted to be completed in 18 to 24 months after commencement. 7000 Ang Mo Kio accounted for 9.8% of EREIT's total revenue in 2019 but yield on cost is expected to be high at >9%.

The REIT is currently looking at 2-3 more AElS to convert the assets into high specification buildings. If they commence this year, the AElS would only start contributing in 2Q22. The AElS are estimated to be about S\$70m-80m and yield on cost would be 6-7%. These AElS could be funded by asset divestments.

Figure 24: Planned AElS

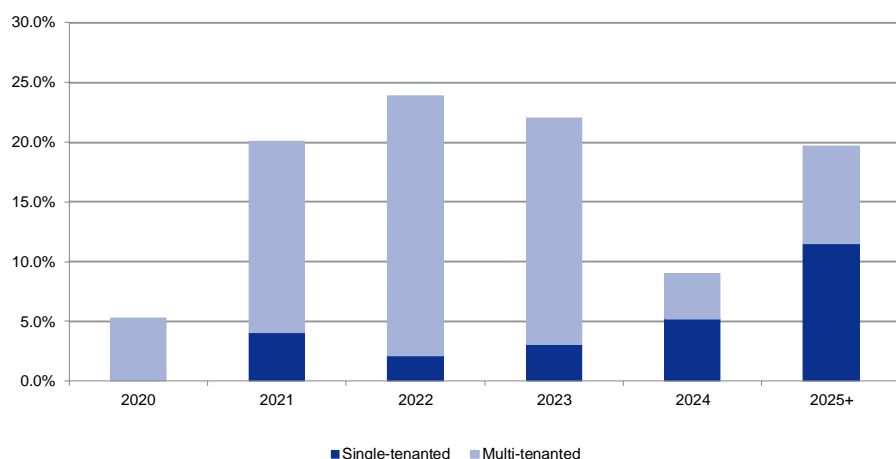
Asset	Capex (S\$ m)	Enhancement work
7000 Ang Mo Kio Avenue 5	45.7	Redevelopment; Increase plot ratio
16 Tai Seng Street	70-80	Increase plot ratio
Ubi Road		Amalgamation of 2 buildings

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

DPU impact from AEI can be cushioned by divestment proceeds. While AElS are likely to impact income in the near term, EREIT has total divestment proceeds of S\$60m which can be used to buffer the impact of AElS on distribution.

20.1% of leases by income will be up for renewal in 2021. Of the 5.3% leases expiring in 4Q20, approximately 4.4% of such leases are in advanced negotiations where EREIT's tenants have given indications of plans to renew. 20.1% of leases by rental income will expire in 2021. Of these, 4.1% are single-tenanted assets. EREIT has been receiving healthy leasing enquiries and expects overall rental reversions to be flat to slight positive.

Figure 25: EREIT lease expiry profile (by rental income)

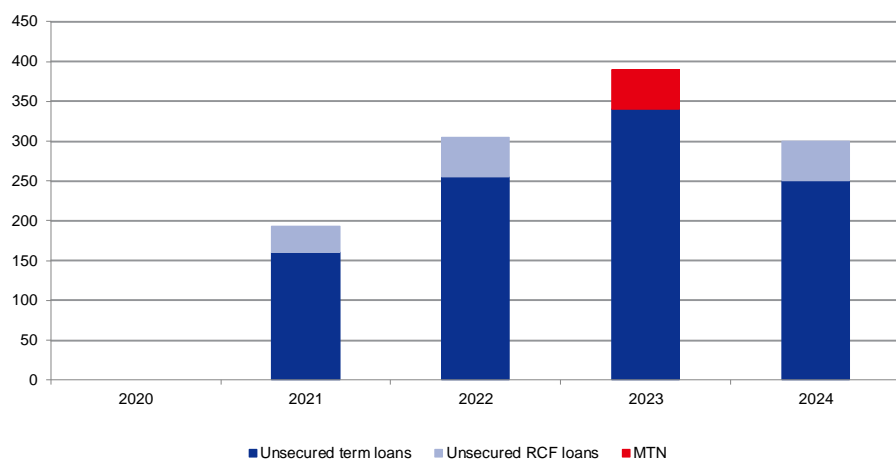


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Substantial rental rebates are unlikely going forward. Rental collection in 3Q20 is approximately 94% of gross rental income, which is consistent with 1H20 and pre-Covid 19 levels. There are only 22 out of 346 tenants that have requested rental relief. EREIT has previously estimated that S\$10.1m of rental rebates may be required for tenant support. As at 30 Sep 2020, S\$3.8m of rental rebates have been given to eligible tenants and another S\$3.2m has been recognised. Barring unforeseen circumstances, the REIT does not expect substantial rental rebates to be given out going forward. Thus, it has released 50% or S\$3.5m of its income retained from 1Q20.

Expecting lower interest expense. There is no more refinancing requirement in 2020. In 2021, the REIT has S\$193m of loans (16.2% of total debt) due. EREIT is looking to reduce its interest cost from the current 3.5% to 3.2% in 2021F in view of the lower interest rate environment. Also, 40% of EREIT’s loan is hedged with fixed interest rate which can be reduced to further lower financing cost.

Figure 26: Debt maturity profile



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Reiterate Add >

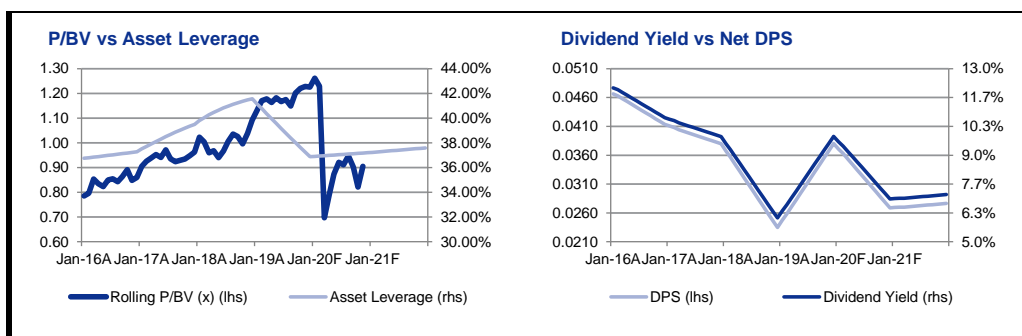
Our FY20-22F DPU is adjusted by -0.2% to +0.3% due to a housekeeping exercise. We reiterate Add on EREIT with a TP of S\$0.49. The stock is trading at 7% yield and 0.91x P/BV versus its pre-Covid 19 peak of 1.3x. The merger, if approved, will pave the way for strong long-term growth for the merged entity as it will create a sizeable REIT which places it closer to index inclusion and potentially rerating on the stock, providing more flexibility in growing AUM. In the near-term, post-merger, both EREIT and SREIT could look into enhancing assets to generate higher income which is also important to buffer any asset valuation decline due to declining land lease tenure.

Figure 27: sector comparison

SREIT	Bloomberg Ticker	Rec.	Price (LC) as at 19 Nov 20	Target Price (LC) (DDM-based)	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	FY20F Yield	FY21F Yield	FY22F Yield
Hospitality											
Ascott Residence Trust	ART SP	Add	1.00	1.05	\$2,306	35.4%	1.24	0.80	2.6%	3.9%	5.6%
CDL Hospitality Trust	CDREIT SP	Add	1.19	1.16	\$1,084	37.1%	1.47	0.81	2.9%	4.0%	5.1%
Far East Hospitality Trust	FEHT SP	Add	0.64	0.63	\$929	39.5%	0.85	0.75	4.0%	3.9%	3.9%
Frasers Hospitality Trust	FHT SP	NR	0.46	NA	\$658	37.7%	0.65	0.71	3.2%	3.6%	3.6%
Simple Average						37.4%	0.77	3.2%	3.8%	4.5%	
Industrial											
AIMS AMP	AAREIT SP	NR	1.19	NA	\$625	33.6%	1.34	0.89	8.0%	7.3%	7.7%
Ascendas REIT	AREIT SP	Add	2.97	3.20	#N/A	34.9%	2.13	1.39	5.0%	5.2%	5.7%
ARA LOGOS Logistics Trust	ALLT SP	Add	0.58	0.70	\$511	40.8%	0.56	1.04	8.2%	8.5%	8.6%
ESR-REIT	EREIT SP	Add	0.39	0.49	\$1,031	41.8%	0.41	0.95	6.9%	7.1%	8.0%
Frasers Logistics & Commercial Trust	FLT SP	Add	1.26	1.50	\$3,217	37.4%	1.10	1.15	5.7%	6.1%	6.3%
Keppel DC REIT	KDCREIT SP	Hold	2.84	2.88	\$3,459	34.5%	1.17	2.43	3.3%	3.7%	3.8%
Mapletree Industrial Trust	MINT SP	Hold	3.00	3.03	\$5,259	38.1%	1.69	1.78	4.1%	4.1%	4.5%
Mapletree Logistics Trust	MLT SP	Hold	1.98	2.05	\$6,099	39.5%	1.20	1.65	4.1%	4.2%	4.2%
Sabana Shariah	SSREIT SP	NR	0.35	NA	\$274	33.4%	0.51	0.69	na	na	na
Soilbuild Business Space REIT	SBREIT SP	NR	0.50	NA	\$468	36.8%	0.59	0.84	6.1%	6.5%	7.1%
Simple Average						37.1%	1.61	5.7%	5.8%	6.2%	
Office											
Keppel REIT	KREIT SP	Add	1.04	1.25	\$2,643	35.0%	1.33	0.78	5.5%	5.5%	5.6%
OUE Commercial REIT	OUECT SP	Hold	0.36	0.48	\$1,435	40.3%	0.61	0.58	7.4%	8.1%	8.7%
Suntec REIT	SUN SP	Add	1.52	1.73	\$3,203	41.3%	2.09	0.73	4.4%	5.7%	5.7%
Simple Average						38.9%	0.70	5.8%	6.4%	6.7%	
Retail											
CapitaLand Integrated Commercial	CICT SP	Add	1.98	2.13	\$9,555	34.4%	2.01	0.99	4.1%	5.9%	6.0%
Frasers Centrepoint Trust	FCT SP	Add	2.31	2.89	\$2,911	37.4%	2.21	1.05	3.9%	5.6%	5.9%
Lendlease Global Commercial REIT	LREIT SP	Add	0.65	0.85	\$568	35.1%	0.85	0.76	4.7%	6.6%	7.0%
Mapletree Commercial Trust	MCT SP	Hold	2.00	1.88	\$4,945	33.3%	1.75	1.14	4.0%	4.4%	4.7%
SPH REIT	SPHREIT SP	Add	0.80	1.07	\$1,656	30.5%	0.91	0.88	3.3%	7.3%	6.8%
Starhill Global REIT	SGREIT SP	Add	0.47	0.71	\$763	36.3%	0.88	0.53	6.3%	8.8%	9.6%
Simple Average						34.5%	0.89	4.4%	6.5%	6.7%	
Overseas-centric											
CapitaLand Retail China Trust	CRCT SP	NR	1.23	NA	\$1,126	34.7%	1.55	0.79	6.3%	7.6%	8.4%
Elite Commercial REIT	ELITE SP	Add	0.65	0.78	\$288	33.1%	0.60	1.08	7.5%	7.5%	7.5%
Lippo Malls Indonesia Retail Trust	LMRT SP	Hold	0.08	0.09	\$179	42.5%	0.18	0.47	4.7%	12.4%	15.0%
Mapletree North Asia Commercial Trust	MAGIC SP	Add	0.93	1.15	\$2,237	40.1%	1.34	0.69	7.4%	6.5%	7.8%
Manulife US REIT	MUST SP	Add	0.74	1.05	\$1,163	39.9%	0.76	0.97	8.3%	8.6%	8.9%
Sasseur REIT	SASSR SP	Add	0.80	0.85	\$718	27.8%	0.92	0.87	7.5%	8.2%	8.7%
Simple Average						36.4%	0.81	6.9%	8.5%	9.4%	
Healthcare											
First REIT	FIRT SP	Add	0.43	0.96	\$256	34.9%	0.97	0.44	11.5%	19.4%	19.0%
Parkway Life REIT	PREIT SP	Hold	3.96	4.03	\$1,787	38.6%	1.91	2.07	3.4%	3.5%	3.5%
Simple Average						36.8%	1.26	7.5%	11.5%	11.3%	
Simple average for SIN						36.6%	0.99	5.5%	6.7%	7.1%	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Rental Revenues	156.9	253.0	236.8	241.6	257.8
Other Revenues					
Gross Property Revenue	156.9	253.0	236.8	241.6	257.8
Total Property Expenses	(44.9)	(65.1)	(68.7)	(70.1)	(73.5)
Net Property Income	112.0	187.9	168.1	171.6	184.3
General And Admin. Expenses					
Management Fees	(9.8)	(14.9)	(14.7)	(14.7)	(14.7)
Trustee's Fees					
Other Operating Expenses	(1.9)	(2.6)	(3.5)	(3.5)	(3.5)
EBITDA	100.3	170.4	149.9	153.4	166.1
Depreciation And Amortisation					
EBIT	100.3	170.4	149.9	153.4	166.1
Net Interest Income	(27.4)	(51.1)	(49.8)	(50.4)	(51.0)
Associates' Profit	0.0	(1.5)	4.1	4.2	4.3
Other Income/(Expenses)	(283.1)	(10.1)	0.0	0.0	0.0
Exceptional Items	(18.2)	(97.7)	0.0	0.0	0.0
Pre-tax Profit	(228.3)	9.9	104.3	107.2	119.4
Taxation	(0.1)	(0.0)	0.0	0.0	0.0
Minority Interests	(4.2)	(3.8)	(3.8)	(3.8)	(3.8)
Preferred Dividends	(6.9)	(6.9)	(6.9)	(6.9)	(6.9)
Net Profit	(239.5)	(0.8)	93.5	96.4	108.7
Distributable Profit	74.5	132.6	94.8	97.8	110.0

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Pre-tax Profit	(228.3)	9.9	104.3	107.2	119.4
Depreciation And Non-cash Adj.	310.5	62.8	45.7	46.2	46.7
Change In Working Capital	(31.1)	(0.8)	(0.0)	0.7	2.4
Tax Paid	(4.0)	(0.4)	0.0	0.0	0.0
Others	20.7	115.2	0.0	0.0	0.0
Cashflow From Operations	67.8	186.8	149.9	154.1	168.5
Capex	(5.3)	(18.4)	0.0	0.0	0.0
Net Investments And Sale Of FA	(144.1)	5.8	0.0	0.0	0.0
Other Investing Cashflow	0.0	(42.8)	4.1	4.2	4.3
Cash Flow From Investing	(149.4)	(55.4)	4.1	4.2	4.3
Debt Raised/(repaid)	43.8	(77.6)	15.0	15.0	15.0
Equity Raised/(Repaid)	140.8	146.8	0.0	0.0	0.0
Dividends Paid	(55.9)	(124.9)	(94.8)	(97.8)	(110.0)
Cash Interest And Others	(41.0)	(69.0)	(60.5)	(61.1)	(61.8)
Cash Flow From Financing	87.6	(124.7)	(140.3)	(143.9)	(156.8)
Total Cash Generated	6.0	6.7	13.7	14.4	16.1
Free Cashflow To Firm	(81.6)	131.4	154.1	158.4	173.0
Free Cashflow To Equity	(68.6)	(5.6)	119.3	122.9	136.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Investments	3,016	2,974	2,974	2,974	2,974
Intangible Assets	0	0	0	0	0
Other Long-term Assets	0	228	228	228	228
Total Non-current Assets	3,016	3,202	3,202	3,202	3,202
Total Cash And Equivalents	18	16	21	27	34
Inventories					
Trade Debtors	11	12	19	20	21
Other Current Assets	6	0	0	0	0
Total Current Assets	35	28	40	47	56
Trade Creditors	58	48	55	56	60
Short-term Debt	282	160	160	160	160
Other Current Liabilities	61	64	64	64	64
Total Current Liabilities	401	271	279	280	284
Long-term Borrowings	986	1,031	1,046	1,061	1,076
Other Long-term Liabilities	32	267	267	267	267
Total Non-current Liabilities	1,019	1,299	1,314	1,329	1,344
Shareholders' Equity	1,480	1,509	1,499	1,489	1,479
Minority Interests					
Preferred Shareholders Funds	151	151	151	151	151
Total Equity	1,631	1,660	1,650	1,640	1,630

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Property Revenue Growth	43.0%	61.3%	(6.4%)	2.0%	6.7%
NPI Growth	42.8%	67.7%	(10.5%)	2.0%	7.4%
Net Property Income Margin	71.4%	74.3%	71.0%	71.0%	71.5%
DPS Growth	(38.1%)	61.8%	(29.3%)	2.9%	12.3%
Gross Interest Cover	3.66	3.33	3.01	3.04	3.25
Effective Tax Rate	0.000%	0.261%	0.000%	0.000%	0.000%
Net Dividend Payout Ratio	NA	NA	101%	101%	101%
Current Ratio	0.09	0.10	0.14	0.17	0.20
Quick Ratio	0.09	0.10	0.14	0.17	0.20
Cash Ratio	0.04	0.06	0.07	0.10	0.12
Return On Average Assets	(10.1%)	(0.0%)	2.9%	3.0%	3.3%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Rental Rate Psf Pm (S\$)	1.8	1.7	2.0	2.1	2.1
Acq. (less development) (US\$m)	N/A	N/A	N/A	N/A	N/A
RevPAR (S\$)	N/A	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	14,075	18,202	15,363	15,363	15,633
Occupancy (%)	92.2%	95.3%	94.4%	94.4%	94.2%
Assets Under Management (m) (S\$)	3,016.2	3,201.9	3,201.9	3,201.9	3,201.9
Funds Under Management (m) (S\$)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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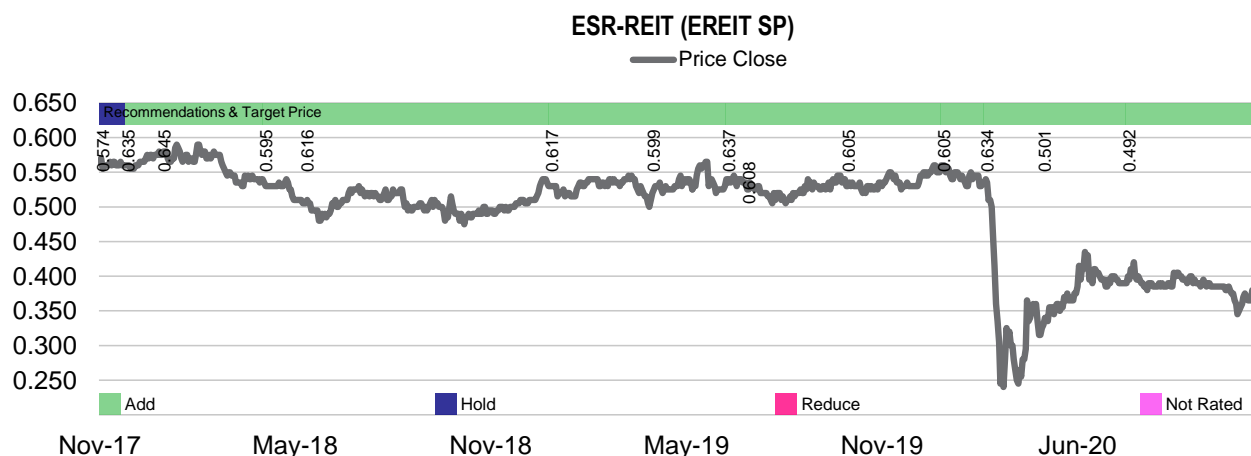
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2020		
795 companies under coverage for quarter ended on 30 September 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	63.0%	0.5%
Hold	25.2%	0.1%
Reduce	11.8%	0.3%

Spitzer Chart for stock being researched (2 year data)

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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