

SASSEUR REIT

Record occupancy and robust outlet sales

Singapore | REIT | 3Q23 UPDATE

- 3Q23 results were within expectations. 9M23 rental income in SGD/RMB terms was 75%/75% of our FY23e estimates. No change in SASSR's FY23 guidance.
- Outlet sales in 3Q23 surged 15.8% to RMB1.1bn due to the success of a series of sales events.-EMA rental income was lifted by 6.5% YoY in RMB terms. Depreciation of RMB by 8.2% YoY and higher financing cost continue being a drag for SASSR.
- EMA rental income for 3Q23 in SGD terms slid by 1.5% YoY, and DPU decreased by 17.7% (S\$2.1m one-time tax refund in 3Q22; without that, DPU would be down 9.7% YoY). 9M23 DPU of S\$4.834 cents was in line with our expectations and formed 75% of our FY23e forecast.
- We reiterate our BUY recommendation with an unchanged DDM TP of S\$0.9. We expect the strong value offers to offset the seasonal weakness in 4Q23 and achieve full-year sales growth of 29%. FY23e-FY24e DPU forecast is for 6.45 – 6.61 Singapore cents.

Result at a glance

(mn)	3Q23	3Q22	2Q23	QoQ	YoY	Comments
EMA Rental Income in RMB	161.9	152.0	115.4	40.3%	6.5%	Successful sales event (Anniversary sales, Red festival)
EMA Rental Income in SGD	30.3	30.8	29.5	2.7%	-1.6%	Depreciation of RMB against S\$ by 8.2% YoY
Outlet Sales in RMB	1,114.4	962.2	961.5	15.9%	15.8%	Recovery in retail market
Occupancy rate (%)	97.9	97.2	96.9	0.103ppt	0.072ppt	Completion of tenant mix adjustments
Cost of debt (%)	5.8	5.8	5.8	-	-	Higher offshore interest rate offset by decreasing onshore loan
DPU	1.51	1.84	1.47	2.6%	-17.7%	FX hit
NAV	0.85	0.83	0.83	2.4%	2.4%	Appreciation of RMB against S\$ by 1.6% QoQ
Gearing	25.4	26.2	26.4	0.038ppt	0.031ppt	

Source: Company, PSR

The Positives

+ 3Q23 outlet sales up 15.8% (RMB 1.11bn) on the back of successful promotional events. Sales for Kunming increased by 25. 5% QoQ in the face of completion of tenant rebalancing. Chongqing Liangjiang is still the proxy of retail recovery with YoY improvement of 19.2% and contributing to 57.4% of total sales.

+ The portfolio occupancy achieved a record high of 97.9% (+0.7% YoY). Chongqing Liangjiang remained at 100% occupancy, while the other 3 outlets were above 96%. In 3Q23, a total of 300 new leases were signed, including the 1,152 sqm superstore in Hefei, which had been vacant for 7 years. This strategic move aims to tap into the market catchment of 150,000 residents.

The Negatives

- Depreciation of renminbi could erode DPU further. The renminbi weakened by 8.2% YoY against the Singapore dollar. Despite the 1.2% QoQ improvement, we remain mindful of the risks posed by six consecutive declines in exports, which could lead to further RMB depreciation. SASSR has been hedging its revenue for 3-6 months, and we anticipate some exchange gains to be realized by the end of the year to mitigate this.



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13 November 2023

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.67
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 0.90
TOTAL RETURN	43.7%

COMPANY DATA

BLOOMBERG CODE:	SASSR SP Equity
O/S SHARES (MN) :	1,240
MARKET CAP (USD mn / SGD mn) :	611 / 831
52 - WK HI/LO (SGD) :	0.85 / 0.61
3M Average Daily T/O (mn) :	0.70

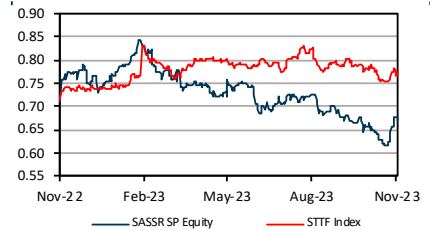
MAJOR SHAREHOLDERS

Sasseur Cayman Holding II Ltd	54.6%
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PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.1	(4.9)	(4.6)
STTF RETURN	(0.6)	(4.0)	0.6

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY21	FY22	FY23e	FY24e
Gross Rev (\$mn)	134.9	125.9	124.5	133.9
Dist. Inc. (\$mn)	86.2	80.3	80.0	82.2
P/NAV (x)	0.75	0.92	0.78	0.79
DPU (cents)	7.10	6.55	6.45	6.61
Dist. Yield (%)	9.60	8.19	9.63	9.86

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity:9.16%; Terminal g: 1.5%)

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Outlook

The management expressed confidence that strong offline sales is less likely to be derailed by e-commerce and streaming in China. SASSR is also onboarding more F&B and Sports tenants to cope with the structural shift in the outlet mall industry towards more experiential. Despite the typical seasonality, we expect that sales in 4Q23 will be on par with 3Q23 as a result of tenancy optimization. Furthermore, SASSR has guided that the cost of debt is expected to be c.5.5-6% in FY24e. Further interest rate cuts are anticipated, which should help mitigate the impact of overseas monetary tightening. Offshore loans account for 46.4% of the total borrowing and 77% is hedged in fixed rate. Meanwhile, as the Singapore dollar could stay strong against RMB in 2H23, we anticipate a temporary DPU growth pothole for FY23 as a result.

Maintain BUY with unchanged TP to S\$0.90

SASSR is currently trading at FY23e yields of 9.63%. We project a sales growth of 29% YoY, capitalising on SASSR's distinct value proposition amid the consumption decline in China. Our DDM-TP of S\$0.90 remains unchanged, with expected FY23-24e DPUs of 6.45 - 6.61 Singapore cents.

Financials
Income Statement

Y/E Dec, (\$S'000)	FY20	FY21	FY22	FY23e	FY24e
EMA rental income	125,248	134,850	125,932	124,451	133,922
Manager's management fee	(7,910)	(11,083)	(8,850)	(8,429)	(8,923)
Trust expense	(2,515)	(1,557)	(1,638)	(1,643)	(1,648)
Finance income	64	162	171	171	171
Finance costs	(28,476)	(24,109)	(26,280)	(34,690)	(34,690)
Other items	(154)	102	3,116	3,537	180
Total return before before tax	64,239	164,155	80,187	79,990	88,833
Tax Expense	(17,216)	(41,298)	(18,089)	(17,598)	(20,432)
Net income after Tax	47,023	122,857	62,098	62,392	68,401
Distribution adjustments	31,712	(28,952)	26,405	22,725	21,970
Distribution to unitholders	78,735	86,192	80,322	80,010	82,238

Per unit data

Y/E Dec, (\$S'000)	FY20	FY21	FY22	FY23e	FY24e
NAV (\$S)	0.91	0.99	0.87	0.85	0.84
DPU (S cents)	6.55	7.10	6.55	6.45	6.61

Cash Flow

Y/E Dec, (\$S'000)	FY20	FY21	FY22	FY23e	FY24e
CFO					
Total return for the period before tax	64,239	164,155	80,187	79,990	88,833
Adjustments	52,345	(34,851)	39,609	36,529	37,690
WC changes	(15,472)	2,020	(45,596)	45,144	6,666
Tax paid and interest received	(8,018)	(11,209)	(7,074)	(17,427)	(20,261)
Cash generated from ops	93,094	120,115	67,126	144,237	112,928
CFI					
CAPEX	(4,691)	(5,821)	(4,078)	(5,000)	(5,000)
Cashflow from investments	(4,691)	(5,821)	(4,078)	(5,000)	(5,000)
CFF					
Proceeds from bank loans	248,366	-	-	-	60,000
Repayments of bank loans	(238,440)	(12,603)	(5,592)	-	(60,000)
Payment of borrowing-related	(7,881)	-	-	-	-
Distributions to unitholders	(74,881.0)	(86,421.0)	(87,418.0)	(80,009.8)	(82,238.0)
Others	(20,438)	(14,912)	(22,398)	(28,267)	(28,267)
Cashflow from financing	(93,274)	(113,936)	(115,408)	(108,276)	(110,505)
Net change in cash	(4,871)	358	(52,360)	30,960	(2,577)
Cash at the start of the period	146,147	146,550	152,421	100,755	131,715
FX changes	5,274	5,513	(9,228)	-	-
Ending cash	146,550	152,421	90,833	131,715	129,139

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$S'000)	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
Cash and short term deposit	155,944	159,761	100,755	131,715	129,139
Prepayments, deposits etc	51,212	29,065	28,104	27,379	29,463
Total current assets	207,156	188,826	128,859	159,094	158,601
Investment properties	1,651,052	1,801,013	1,638,981	1,643,981	1,648,981
Total non-current assets	1,651,052	1,801,013	1,638,981	1,643,981	1,648,981
Total Assets	1,858,208	1,989,839	1,767,840	1,803,075	1,807,582
LIABILITIES					
Other payables and accruals	137,047	123,177	69,635	114,055	122,804
Loans and borrowings	2,359	2,457	487,355	60,000	-
Others	26,261	31,077	31,384	31,384	31,384
Total current liabilities	165,667	156,711	588,374	205,439	154,188
Loans and borrowings	501,895	508,115	-	427,355	487,355
Deferred tax liabilities	85,232	115,805	111,667	111,667	111,667
Total non-current liabilities	587,127	623,920	111,667	539,022	599,022
Total Liabilities	752,794	780,631	700,041	744,461	753,210
Net assets	1,105,414	1,209,208	1,067,799	1,058,615	1,054,372
Represented by:					
Unitholders' funds	1,105,414	1,209,208	1,067,799	1,058,615	1,054,372

Valuation Ratios

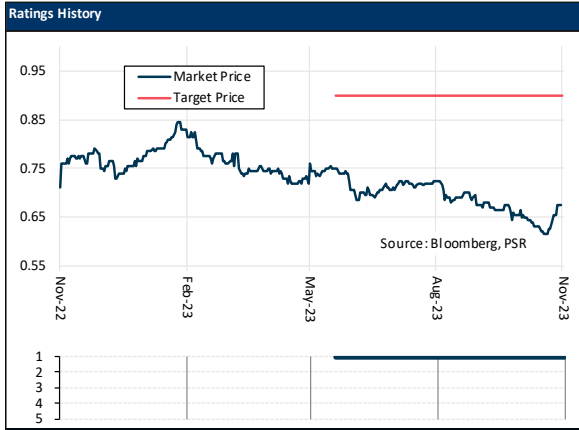
Y/E Dec, (\$S'000)	FY20	FY21	FY22	FY23e	FY24e
P/NAV (x)	0.90	0.75	0.92	0.78	0.79
Distribution Yield (%)	7.98	9.60	8.19	9.63	9.86

Growth & Margins
Growth

Revenue		7.7%	-6.6%	-1.2%	7.6%
Distributable income		9.5%	-6.8%	-0.4%	2.8%
DPU		8.5%	-7.8%	-1.5%	2.4%

Key Ratios

Net Debt or (Net Cash)	(1,353,954)	(1,479,267)	(1,280,485)	(1,315,720)	(1,320,227)
Gearing	0.27	0.26	0.28	0.27	0.27



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Disclaimer
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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