



SASSEUR REIT

FY24e sales will be driven by promotional events

Singapore | REIT | UPDATE

- 1Q24 rental income in SGD terms was within expectations at 25% of our FY24e estimates (S\$32.6mn, -1.4% YoY, +1.2% YoY in RMB), representing a S\$0.5mn YoY decrease due to the weakening RMB against the S\$ by 2.5%.
- Outlet sales in RMB were 24% of our estimate (RMB 1258.7mn, -2.6% YoY), leading to a 2.2% YoY decrease of the variable component as 1Q23 had a high base post-reopening of China after the pandemic. The REIT has changed to a half-yearly dividend distribution.
- We reiterate our BUY recommendation with an unchanged DDM TP of S\$0.87. FY24e – FY25e DPU forecast is lowered by 1% to 6.31-6.67 Singapore cents after factoring in a weaker RMB against the Singapore dollar. Leveraging on the high customer loyalty and series of promotional events in FY24e, we believe sales are able to grow in the low teens.

Result at a glance

(mn)	1Q24	1Q23	YoY (%)	Comments
EMA Rental Income in RMB	172.6	170.6	1.17%	
EMA Rental Income in SGD	32.6	33.1	-1.51%	Depreciation of RMB against S\$ by 2.5% YoY
Outlet Sales in RMB	1,258.7	1,292.6	-2.62%	High sales base in 1Q23
Variable component in RMB	57.4	58.7	-2.21%	
Cost of debt	5.4%	5.9%	(8.47ppt)	Lower onshore cost of debt
ICR	4.50	4.10	9.76%	
NAV	0.84	0.87	-3.45%	Slight enlarged unit base + depreciation of RMB
Gearing	25.20%	25.70%	(1.95ppt)	

Source: Company, PSR

The Positive

+ Raising VIP member base. VIP members increased by 19.5% YoY to 3.7mn, and contributed 60% of the 1Q24 outlet sales. Although Q2 is usually seasonally weaker, SASSR observed footfall during the Golden Week (Labor Day) increased by c.8%, and there's also a line of sales events such as the Mid-Year sales in June to promote tenant sales.

The Negative

- Outlet sales slid by 2.6% YoY to RMB 1258.7mn due to pent-up demand in retail spending in 1Q23 following the reopening of the economy. We also attribute the decline to seasonality, as there are large-scale events like the Red Festival and year-end promotions. Winter merchandise generally has a higher value, boosting sales in Q4, while in 1Q, sales were mainly of lower-value spring merchandise.

Outlook

SASSR expects increasing demand for domestic sports brands, and F&B. Average transaction value per customer decreased as consumers were less willing to purchase big-ticket items. Thus, international brands were the underperforming sectors. SASSR intends to shift more focus on the F&B sector as it serves customers' experiential needs. However, they don't intend to allocate more space for F&B as the sector doesn't generate GTO as high as fashion brands.

Maintain BUY with unchanged TP of S\$0.87

We expect consumption recovery from supportive government support measures such as lower interest rates and the 1tn fiscal stimulus. After factoring in a weaker RMB against the S\$, the DDM target price remains unchanged at S\$0.87, and the FY24e-FY25e DPU forecast is lowered by 1% to 6.31-6.67 Singapore cents.

15 May 2024

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.67
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 0.87
TOTAL RETURN	38.8%

COMPANY DATA

BLOOMBERG CODE:	SASSR SP Equity
O/S SHARES (MN):	1246
MARKET CAP (USD mn / SGD mn):	616 / 835
52 - WK HI/LO (SGD):	0.76 / 0.61
3M Average Daily T/O (mn):	0.563

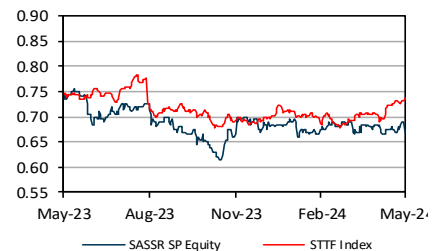
MAJOR SHAREHOLDERS

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

	1MTH	3MTH	YTD
COMPANY	-2.2	1.3	-0.1
STTF RETURN	4.2	7.3	4.3

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY22	FY23	FY24e	FY25e
Gross Rev (\$mn)	125.9	126.7	132.4	138.4
Dist. Inc. (\$mn)	80.3	77.4	79.4	83.8
P/NAV (x)	0.86	0.98	0.83	0.84
DPU (cents)	6.55	6.21	6.36	6.67
Dist. Yield (%)	9.60	8.19	9.13	9.36

Source: Company, PSR

VALUATION METHOD

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

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Financials

Income Statement

Y/E Dec, (\$'000)	FY21	FY22	FY23	FY24e	FY25e
EMA rental income	134,850	125,932	126,726	132,420	138,401
Manager's management fee	(11,083)	(8,850)	(8,335)	(8,265)	(8,792)
Trust expense	(1,557)	(1,638)	(321)	(1,580)	(1,580)
Finance income	162	171	286	286	286
Finance costs	(24,109)	(26,280)	(27,409)	(25,524)	(24,659)
Other items	102	3,116	3,537	180	(199)
Total return before before tax	164,155	80,187	86,379	94,851	101,169
Tax Expense	(41,298)	(18,089)	(23,958)	(21,816)	(23,269)
Net income after Tax	122,857	62,098	62,421	73,035	77,900
Distribution adjustments	(28,952)	26,405	20,929	11,717	12,244
Distribution to unitholders	86,192	80,322	77,370	78,819	83,834

Per unit data

Y/E Dec, (\$'000)	FY21	FY22	FY23	FY24e	FY25e
NAV (\$)	0.87	0.82	0.82	0.81	0.81
DPU (S cents)	7.10	6.55	6.21	6.31	6.67

Cash Flow

Y/E Dec, (\$'000)	FY21	FY22	FY23	FY24e	FY25e
CFO					
Total return for the period before tax	164,155	80,187	86,379	94,851	101,169
Adjustments	52,345	(34,851)	39,609	37,945	31,340
WC changes	(15,472)	2,020	(45,596)	68,833	12,335
Tax paid and interest received	(8,018)	(11,209)	(7,074)	(5,917)	(21,530)
Cash generated from ops	193,010	36,147	73,318	195,712	123,314
CFI					
CAPEX	(4,691)	(5,821)	(4,078)	(532)	(532)
Cashflow from investments	(5,821)	(4,078)	(532)	(532)	(532)
CFF					
Proceeds from bank loans	-	-	395,193	-	-
Repayments of bank loans	(12,603)	(5,592)	(491,138)	-	-
Payment of borrowing-related	-	-	(13,513)	-	-
Distributions to unitholders	(74,881.0)	(86,421.0)	(87,418.0)	(75,807.0)	(78,819.0)
Others	(20,438)	(14,912)	(22,398)	(18,789)	(23,361)
Cashflow from financing	(107,922)	(106,925)	(219,274)	(94,596)	(102,180)
Net change in cash	79,267	(74,856)	(146,488)	100,584	20,602
Cash at the start of the period	146,147	146,550	152,421	100,755	140,834
FX changes	5,274	5,513	(9,228)	17	-
Ending cash	230,688	77,207	(3,295)	201,339	161,436

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$'000)	FY21	FY22	FY23	FY24e	FY25e
ASSETS					
Cash and short term deposit	159,761	100,755	140,834	155,118	168,397
Prepayments, deposits etc	29,065	28,104	26,042	29,132	30,448
Total current assets	188,826	128,859	167,490	184,864	199,459
Investment properties	1,801,013	1,638,981	1,580,190	1,580,722	1,581,254
Total non-current assets	1,801,013	1,638,981	1,580,190	1,580,722	1,581,254
Total Assets	1,989,839	1,767,840	1,747,680	1,765,586	1,780,713
LIABILITIES					
Other payables and accruals	123,177	69,635	142,285	157,711	169,980
Loans and borrowings	2,359	2,457	487,355	5,439	5,439
Others	26,261	31,077	31,384	38,200	38,200
Total current liabilities	156,711	588,374	185,924	201,350	213,619
Loans and borrowings	508,115	-	369,895	369,895	369,895
Deferred tax liabilities	115,805	111,667	114,970	114,970	114,970
Total non-current liabilities	623,920	111,667	542,144	542,144	542,144
Total Liabilities	780,631	700,041	728,068	743,494	755,763
Net assets	1,209,208	1,067,799	1,019,612	1,022,093	1,024,951
Represented by:					
Unitholders' funds	1,209,208	1,067,799	1,019,612	1,022,093	1,024,951

Valuation Ratios

Y/E Dec, (\$'000)	FY21	FY22	FY23	FY24e	FY25e
P/NAV (x)		0.86	0.98	0.82	0.82
Distribution Yield (%)		9.60	8.19	9.27	9.42

Growth & Margins

	FY21	FY22	FY23	FY24e	FY25e
Growth					
Revenue		-6.6%	0.6%	4.5%	4.5%
Distributable income		-6.8%	-3.7%	1.9%	6.4%
DPU		-7.8%	-5.2%	1.6%	5.7%

Key Ratios

	FY21	FY22	FY23	FY24e	FY25e
ROE	11%	6%	6%	7%	8%
Gearing	28%	24%	25%	24%	24%



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

Remarks
 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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