

# Sasseur REIT

FY25e sales to grow by low-single-digit



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## Singapore | REIT | FY24 RESULT

21 February 2025

- Total rental income for FY24 slipped 0.4% YoY to S\$124.5mn due to a 3.9% YoY decline in outlet sales and a weaker RMB against the SGD. Rental is 98% of our forecast.
- DPU declined by 2.7% YoY to 6.08 cents, which is 97% of our FY24 forecast. Tenant sales rebounded in 4Q24, driven by Golden Week sales, rising 4.8% YoY in RMB terms. However, FY24 sales declined across all four outlet malls as operations were disrupted by extreme heatwaves in Chongqing, earthquakes in Hefei in 3Q, and cautious consumer spending.
- We reiterate our BUY recommendation with a lower DDM-TP of S\$0.81 (prev: S\$0.84). We expect a consumption-led recovery in China for FY25e, supported by more macroeconomic stimulus such as consumption voucher, though the effects are likely to become more pronounced from 2H25 onwards. We anticipate low-single-digit tenant sales growth in FY25e. Our FY25e-26e DPU forecasts have been lowered by 2% to 6.07/6.36 cents. SASSR is trading at an FY25e dividend yield of 8.8% and a P/NAV of 0.8x.

### Result at a glance

(mn)	FY24	FY23	YoY (%)	Comments
EMA Rental Income in RMB	664.1	658.5	0.85%	Variable component decreased by 3.7%YoY
EMA Rental Income in SGD	124.5	124.9	-0.32%	Depreciation of RMB against S\$ YoY
Outlet Sales in RMB	4,482.1	4,663.7	-3.89%	Extreme events in 3Q24 such as heatwave
Variable component in RMB	203.1	211.0	-3.74%	
Cost of borrowing	5.3%	5.6%	(0.3ppt)	Lower onshore borrowing rate
DPU	6.08	6.25	-2.69%	
NAV	0.83	0.82	1.22%	Due to the currency effects

Source: Company, PSR

### The Positives

**+ Recovery in sales in 2H24.** Outlet sales improved by 4.8% YoY in 2H24, driven by a strong rebound during the National Day holidays and increased spending on higher-ticket winter items. However, the 3.9% YoY decline for the entire year was primarily due to the 14% sales drop in 3Q24, when anniversary sales were disrupted by extreme heatwaves in Chongqing and earthquakes in Hefei. SASSR expects sales to grow at a low-single-digit rate in FY25e, supported by more aggressive stimulus measures from the central government, including a 50-bps mortgage rate cut and consumption vouchers in Shanghai.

**+ Cost of borrowing to continue trending down.** The borrowing cost decreased by 0.3 ppt YoY to 5.3% as SASSR has been actively taking on more onshore debt, leveraging on the lower Loan Prime Rate (LPR) in China. Onshore loans account for 53% of the total borrowing as of Dec24, and SASSR aims to increase the portion to c.60% in FY25e, for which we expect the cost of borrowing to trend down further. Nevertheless, SASSR also recently secured an RMB430mn sponsor loan, which leaves them no refinancing obligations for FY25e.

### The Negative

**- Portfolio valuation dipped by 0.9%YoY.** The valuation for Chongqing Bishan declined by 6.5% YoY as sales underperformed the valuer's expectations, leading to a more cautious outlook for FY25e. However, portfolio valuation in SGD terms remained stable, improving 0.1% YoY to S\$1,582mn, supported by a more favorable exchange rate at year-end.

### BUY (Maintained)

LAST CLOSE PRICE	SGD 0.70
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 0.81
TOTAL RETURN	25.6%

#### COMPANY DATA

BLOOMBERG CODE:	SASSR SP Equity
O/S SHARES (MN):	1250.77
MARKET CAP (USD mn / SGD mn):	647 / 869
52 - WK HI/LO (SGD):	0.74 / 0.66
3M Average Daily T/O (mn):	0.43425

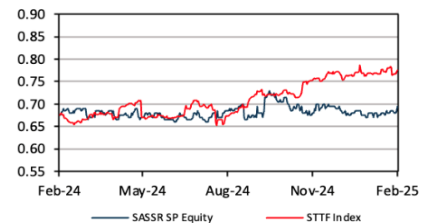
#### MAJOR SHAREHOLDERS

Sasseur Cayman Holding II Ltd	56.9%
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#### TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	0.7	1.5	0.7
STTF RETURN	2.7	5.0	3.6

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (\$mn)	126.7	123.7	127.0	131.2
Dist. Inc. (\$mn)	77.4	75.9	76.3	80.4
P/NAV (x)	0.80	0.84	0.83	0.83
DPU (cents)	6.25	6.08	6.07	6.36
Dist. Yield (%)	9.49	9.06	8.81	8.80

Source: Company, PSR

#### VALUATION METHOD

DDM (Cost of Equity: 8.94%; Terminal g: 1.5%)

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**Outlook**

SASSR is drawing RMB25.5mn from a sponsor loan over the next three years to construct a cooling tower-based central chiller system, which will reduce maintenance costs and energy consumption.

Shopper traffic improved by 4.1% YoY in FY24 as more VIP members were onboarded. SASSR has actively introduced VIP-exclusive discounts and promotional events to enhance customer stickiness and VIP conversion rates. We expect FY25e sales to remain supported by VIP members, with membership increasing 18% YoY in FY24 and achieving a three-year CAGR of 18.7%.

Chinese consumers continue to favor local Chinese brands and value-for-money products, while international brands have underperformed. These are typically higher-ticket items, contributing to the decline in sales volume. SASSR will continue its brand rebalancing strategy to better align with evolving consumer preferences.

**Maintain BUY with a lower TP of S\$0.81 (prev: S\$0.84)**

We anticipate low-single-digit tenant sales growth in FY25e, assuming no disruptions from unforeseen events like heatwaves. Our FY25e-26e DPU forecasts have been revised down by 2% to 6.07/6.36 cents. SASSR is trading at an FY25e dividend yield of 8.8% and a P/NAV of 0.8x. Lower interest expenses, aggressive discounts, and continued brand and product mix enhancements will support FY25e earnings.

## Financials

### Income Statement

Y/E Dec, (\$S'000)	FY22	FY23	FY24	FY25e	FY26e
<b>EMA rental income</b>	<b>125,932</b>	<b>126,726</b>	<b>123,726</b>	<b>126,986</b>	<b>131,202</b>
Manager's management fee	(8,850)	(8,335)	(8,330)	(8,585)	(8,977)
<b>Trust expense</b>	<b>(1,638)</b>	<b>(321)</b>	<b>(319)</b>	<b>(319)</b>	<b>(319)</b>
Finance income	171	286	253	286	286
Finance costs	(26,280)	(27,409)	(24,710)	(22,655)	(21,348)
Other items	144,834	170,093	118,292	180,051	188,126
<b>Total return before before tax</b>	<b>80,187</b>	<b>86,379</b>	<b>73,220</b>	<b>93,226</b>	<b>98,357</b>
Tax Expense	(18,089)	(23,958)	(17,162)	(21,442)	(22,622)
<b>Net income after Tax</b>	<b>62,098</b>	<b>62,421</b>	<b>56,058</b>	<b>71,784</b>	<b>75,735</b>
Distribution adjustments	26,405	20,929	27,239	10,310	10,702
<b>Distribution to unitholders</b>	<b>80,322</b>	<b>77,370</b>	<b>75,912</b>	<b>76,347</b>	<b>80,386</b>

### Per unit data

Y/E Dec, (\$S'000)	FY22	FY23	FY24	FY25e	FY26e
NAV (\$S)	0.87	0.82	0.83	0.83	0.82
DPU (\$ cents)	6.55	6.25	6.08	6.07	6.36

### Cash Flow

Y/E Dec, (\$S'000)	FY22	FY23	FY24	FY25e	FY26e
<b>CFO</b>					
<b>Total return for the period before tax</b>	<b>80,187</b>	<b>86,379</b>	<b>73,220</b>	<b>93,226</b>	<b>98,357</b>
Adjustments	39,609	37,945	46,124	30,518	29,603
WC changes	(45,596)	68,833	4,263	2,939	1,441
Tax paid and interest received	(7,074)	(5,917)	(9,114)	(21,156)	(22,336)
<b>Cash generated from ops</b>	<b>67,126</b>	<b>187,240</b>	<b>114,493</b>	<b>105,527</b>	<b>107,065</b>

### CFI

CAPEX	(4,078)	(532)	(372)	(532)	(532)
<b>Cashflow from investments</b>	<b>(4,078)</b>	<b>(532)</b>	<b>(865)</b>	<b>(532)</b>	<b>(532)</b>

### CFF

Proceeds from bank loans	-	395,193	-	-	-
Repayments of bank loans	(5,592)	(491,138)	(5,444)	-	-
Payment of borrowing-related	-	(13,513)	-	-	-
Distributions to unitholders	(86,421.0)	(87,418.0)	(75,807.0)	(56,859.0)	(76,347.1)
Others	(22,398)	(18,789)	(19,921)	(22,219)	(20,912)
<b>Cashflow from financing</b>	<b>(114,411)</b>	<b>(215,665)</b>	<b>(101,172)</b>	<b>(79,078)</b>	<b>(97,259)</b>

<b>Net change in cash</b>	<b>(51,363)</b>	<b>(28,957)</b>	<b>12,456</b>	<b>25,917</b>	<b>9,274</b>
Cash at the start of the period	152,421	100,755	131,197	174,345	180,774
FX changes	(9,228)	17	1,661	-	-
<b>Ending cash</b>	<b>91,830</b>	<b>71,815</b>	<b>143,653</b>	<b>200,262</b>	<b>190,048</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, (\$S'000)	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
Cash and short term deposit	100,755	140,834	174,345	180,774	186,009
Prepayments, deposits etc	28,104	26,042	19,477	19,477	19,477
<b>Total current assets</b>	<b>128,859</b>	<b>167,490</b>	<b>194,392</b>	<b>200,821</b>	<b>206,056</b>
Investment properties	1,638,981	1,580,190	1,582,290	1,582,822	1,583,354
<b>Total non-current assets</b>	<b>1,638,981</b>	<b>1,580,190</b>	<b>1,582,783</b>	<b>1,582,822</b>	<b>1,583,354</b>
<b>Total Assets</b>	<b>1,767,840</b>	<b>1,747,680</b>	<b>1,777,175</b>	<b>1,783,643</b>	<b>1,789,410</b>
<b>LIABILITIES</b>					
Other payables and accruals	69,635	142,285	141,194	144,133	145,575
Loans and borrowings	487,355	5,439	5,497	5,497	5,497
Others	31,077	31,384	38,200	42,852	42,852
<b>Total current liabilities</b>	<b>588,374</b>	<b>185,924</b>	<b>189,543</b>	<b>192,482</b>	<b>193,924</b>
Loans and borrowings	-	369,895	372,295	372,295	372,295
Deferred tax liabilities	111,667	114,970	119,476	119,476	119,476
<b>Total non-current liabilities</b>	<b>111,667</b>	<b>542,144</b>	<b>549,651</b>	<b>549,050</b>	<b>549,050</b>
<b>Total Liabilities</b>	<b>700,041</b>	<b>728,068</b>	<b>739,194</b>	<b>741,532</b>	<b>742,974</b>
<b>Net assets</b>	<b>1,067,799</b>	<b>1,019,612</b>	<b>1,037,981</b>	<b>1,042,111</b>	<b>1,046,437</b>
<b>Represented by:</b>					
Unitholders' funds	1,067,799	1,019,612	1,037,981	1,042,111	1,046,437

### Valuation Ratios

Y/E Dec	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.80	0.84	0.83	0.83
Distribution Yield (%)	9.49	9.06	8.81	8.80

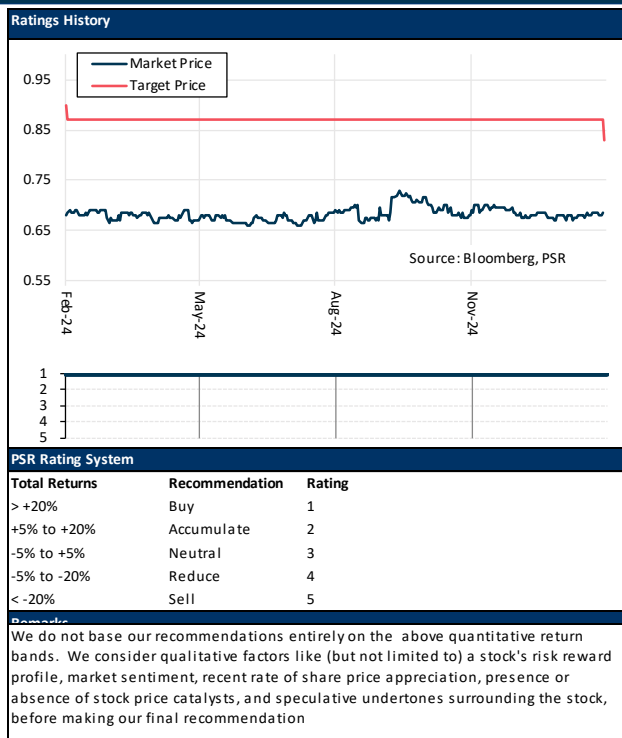
### Growth & Margins

#### Growth

Revenue	0.6%	-2.4%	2.6%	3.3%
Distributable income	-3.7%	-1.9%	0.6%	5.3%
DPU	-4.6%	-2.7%	-0.2%	4.7%

### Key Ratios

Net Debt or (Net Asset)	(1,280,485)	(1,372,346)	(1,399,383)	(1,405,851)
Gearing	28%	21%	21%	21%



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