

# Sasseur REIT

## FX headwind to weigh on performance



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### Singapore | REIT | 1Q25 UPDATE

16 May 2025

- While the 1Q25 DPU was not disclosed, EMA rental income in SGD terms declined by 0.2% YoY to S\$32.5mn due to the weaker RMB, which is in line with our forecast and accounts for 26% of our FY25e estimates. Weaker performance of outlet sales(-0.9%YoY), which led to a 1.2% drop in variable component in RMB terms, was cushioned by a 3% fixed escalation in the fixed component of EMA rental income.
- 1Q25 outlet sales were dragged by the performance of Hefei mall (-3.9%YoY) and Kunming mall (-2.9%YoY), which was partially offset by the increasing contribution from Chongqing Liangjiang outlet (1.3%YoY) due to new product offerings. Portfolio Sales improved by 1.2% YoY from Jan to Feb 25, driven by CNY promotional events, but subsequently saw a slowdown in Mar 25.
- We maintain our BUY recommendation with a revised DDM-TP of S\$0.78 (prev. S\$0.81). We have raised our COE by 0.7ppt to 9.64%, reflecting higher FX risk as the RMB depreciated by c.3% YTD. Consequently, our FY25e DPU forecast has been lowered by 1% to 6.01cents to incorporate the updated FX assumptions. The central government's consumption vouchers provide limited benefits to SASSR, as they do not apply to fashion items. Nonetheless, we expect tenant sales to grow in the low single digits in FY25e, with performance momentum picking up from 2Q25 onwards. SASSR currently trades at an FY25e dividend yield of 9.6% and a P/NAV of 0.76x.

#### Result at a glance

(mn)	1Q25	1Q24	YoY (%)	Comments
EMA Rental Income in RMB	175.4	172.6	1.62%	3% + fixed component income
EMA Rental Income in SGD	32.5	32.6	-0.31%	Depreciation of RMB of 1.7% against S\$
Outlet Sales in RMB	1,247.7	1,258.7	-0.87%	Weaker Mar25 post CNY sales
Variable component in RMB	56.7	57.4	-1.22%	Lower sales
Cost of debt	5.0%	5.4%	0.4ppts	Lower RMB loan rate

Source: Company, PSR

#### The Positives

**+ Cost of borrowing to continue trending down.** Borrowing costs fell 0.3ppt YoY to 5.0%, driven by a 17ppts increase in onshore RMB-denominated loans to 70% of total debt. With market expectations for a lower Loan Prime Rate (LPR), we anticipate DPU upside from interest savings in FY25e as a 50bps decline in cost of borrowing would increase DPU by 0.1cents.

#### The Negative

**- Weaker outlet sales.** In 1Q25, outlet sales dipped 0.9% YoY as freezing weather discouraged shoppers. However, January–February 2025 saw sales rise 1.2% YoY, buoyed by Lunar New Year spending. The spring collection launch in March underperformed due to persistent cold conditions. Beginning April 2025, sales rebounded with low-single-digit YoY gains, a trend that continued into May. We maintain our outlet sales growth forecast at low-single-digit for FY25e.

#### Outlook

SASSR has not experienced any direct impact from tariffs, as 95% of its international brands are manufactured in the EU or China, with less than 5% sourced from the U.S. The REIT also identifies an opportunity in the excess inventory held by Chinese manufacturers. Some face challenges exporting to the U.S. due to the 10% universal tariff, thereby broadening SASSR's product availability. Additionally, SASSR is evaluating acquisition opportunities beyond its Xi'an asset, capitalizing on distressed sales by Chinese retail developers. The REIT is also exploring C-REIT transactions, conducting feasibility studies on potential assets, and assessing liquidity considerations.

#### BUY (Maintained)

LAST CLOSE PRICE	SGD 0.63
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 0.78
TOTAL RETURN	33.4%

#### COMPANY DATA

BLOOMBERG CODE:	SASSR SP Equity
O/S SHARES (MN):	1255.5
MARKET CAP (USD mn / SGD mn):	609 / 791
52 - WK HI/LO (SGD):	0.74 / 0.54
3M Average Daily T/O (mn):	0.873

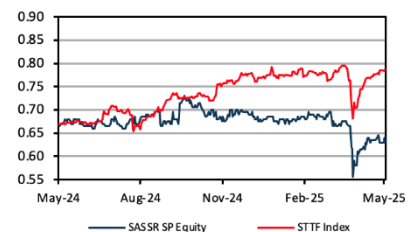
#### MAJOR SHAREHOLDERS

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

	1MTH	3MTH	YTD
COMPANY	4.9	(1.7)	(1.7)
STTF RETURN	9.9	1.3	4.4

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (\$mn)	126.7	123.7	125.8	131.2
Dist. Inc. (\$mn)	77.4	75.9	75.5	80.4
P/NAV (x)	0.73	0.77	0.76	0.76
DPU (cents)	6.25	6.08	6.01	6.36
Dist. Yield (%)	10.40	9.92	9.65	9.54

Source: Company, PSR

#### VALUATION METHOD

DDM (Cost of Equity: 9.64%; Terminal g: 1.5%)

LIU MIAOMIAO (+65 6212 1852)  
Research Analyst  
liumm@phillip.com.sg

**Maintain BUY with a lower TP of S\$0.78 (prev: S\$0.81)**

We maintain our BUY recommendation with a revised DDM-TP of S\$0.78 (previously S\$0.81) and have increased our COE by 0.7ppt to 9.64%, reflecting higher FX risk following the RMB's depreciation of approximately 3% YTD. As a result, our FY25e DPU forecast is lowered by 1% to 6.01cents, to account for the updated FX assumptions. We still anticipate tenant sales growing in the low-single digits in FY25e, with momentum improving from 2Q25 onwards. SASSR is currently trading at an FY25e dividend yield of 9.6% and a P/NAV of 0.76x.

## Financials

### Income Statement

Y/E Dec, (\$'000)	FY22	FY23	FY24	FY25e	FY26e
<b>EMA rental income</b>	<b>125,932</b>	<b>126,726</b>	<b>123,726</b>	<b>125,832</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	177,742	188,126
<b>Total return before before tax</b>	<b>80,187</b>	<b>86,379</b>	<b>73,220</b>	<b>92,072</b>	<b>98,357</b>
Tax Expense	(18,089)	(23,958)	(17,162)	(21,176)	(22,622)
<b>Net income after Tax</b>	<b>62,098</b>	<b>62,421</b>	<b>56,058</b>	<b>70,895</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>75,520</b>	<b>80,386</b>

### Per unit data

Y/E Dec, (\$'000)	FY22	FY23	FY24	FY25e	FY26e
NAV (\$)	0.87	0.82	0.83	0.83	0.82
DPU (\$ cents)	6.55	6.25	6.08	6.01	6.36

### Cash Flow

Y/E Dec, (\$'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>92,072</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)	(20,890)	(22,336)
<b>Cash generated from ops</b>	<b>67,126</b>	<b>187,240</b>	<b>114,493</b>	<b>104,639</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>(39)</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)	(75,520.4)
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>(96,433)</b>

<b>Net change in cash</b>	<b>(51,363)</b>	<b>(28,957)</b>	<b>12,456</b>	<b>25,521</b>	<b>10,101</b>
Cash at the start of the period	152,421	100,755	131,197	174,345	181,205
FX changes	(9,228)	17	1,661	-	-
<b>Ending cash</b>	<b>91,830</b>	<b>71,815</b>	<b>143,653</b>	<b>199,866</b>	<b>191,305</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, (\$'000)	FY22	FY23	FY24	FY25e	FY26e
<b>ASSETS</b>					
Cash and short term deposit	100,755	140,834	174,345	181,205	186,440
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>201,252</b>	<b>206,487</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>1,784,074</b>	<b>1,789,841</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>549,651</b>	<b>549,651</b>
<b>Total Liabilities</b>	<b>700,041</b>	<b>728,068</b>	<b>739,194</b>	<b>742,133</b>	<b>743,575</b>
<b>Net assets</b>	<b>1,067,799</b>	<b>1,019,612</b>	<b>1,037,981</b>	<b>1,041,941</b>	<b>1,046,267</b>
<b>Represented by:</b>					
Unitholders' funds	1,067,799	1,019,612	1,037,981	1,041,941	1,046,267

### Valuation Ratios

Y/E Dec	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.73	0.77	0.76	0.76
Distribution Yield (%)	10.40	9.92	9.65	9.54

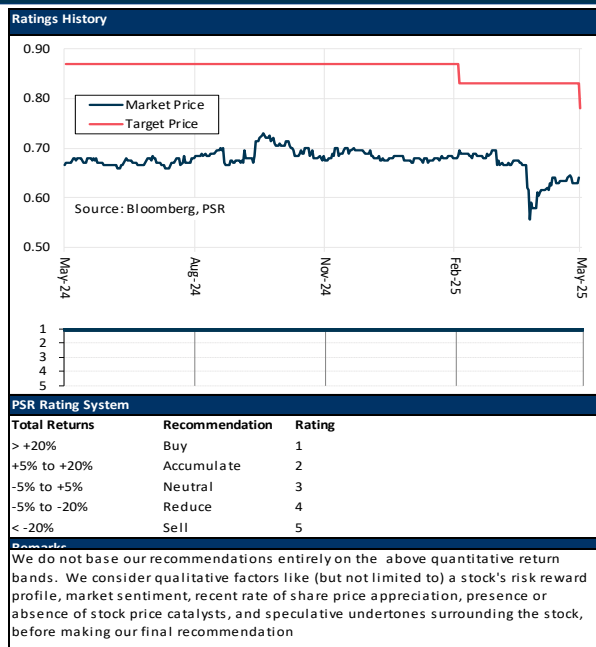
### Growth & Margins

#### Growth

Revenue	0.6%	-2.4%	1.7%	4.3%
Distributable income	-3.7%	-1.9%	-0.5%	6.4%
DPU	-4.6%	-2.7%	-1.2%	5.9%

### Key Ratios

Net Debt or (Net Asset)	(1,280,485)	(1,372,346)	(1,399,383)	(1,406,282)
Gearing	28%	21%	21%	21%



<b>Contact Information (Singapore Research Team)</b>		
<b>Head of Research</b> Paul Chew – <a href="mailto:paulchewkl@phillip.com.sg">paulchewkl@phillip.com.sg</a>	<b>Research Admin</b> Qystina Azli – <a href="mailto:qystina@phillip.com.sg">qystina@phillip.com.sg</a>	
<b>Technical Analyst</b> Zane Aw – <a href="mailto:zaneawyx@phillip.com.sg">zaneawyx@phillip.com.sg</a>	<b>Property   REITs</b> Darren Chan – <a href="mailto:darrenchanrx@phillip.com.sg">darrenchanrx@phillip.com.sg</a>	<b>Property   REITs</b> Liu Miaomiao – <a href="mailto:liumm@phillip.com.sg">liumm@phillip.com.sg</a>
<b>Banking   Auto</b> Glenn Thum – <a href="mailto:glennthumjc@phillip.com.sg">glennthumjc@phillip.com.sg</a>	<b>US Tech Hardware   E-commerce   ETF</b> Helena Wang – <a href="mailto:helenawang@phillip.com.sg">helenawang@phillip.com.sg</a>	<b>Construction   Semiconductors</b> Yik Ban Chong (Ben) – <a href="mailto:chongyb@phillip.com.sg">chongyb@phillip.com.sg</a>
<b>Communications   CRM</b> Serena Lim – <a href="mailto:serenalimyq@phillip.com.sg">serenalimyq@phillip.com.sg</a>	<b>Software   Services</b> Alif Fahmi – <a href="mailto:aliffahmi.shakir@phillipcapital.com.my">aliffahmi.shakir@phillipcapital.com.my</a>	

**Contact Information (Regional Member Companies)**

**SINGAPORE**  
**Phillip Securities Pte Ltd**  
 Raffles City Tower  
 250, North Bridge Road #06-00  
 Singapore 179101  
 Tel +65 6533 6001  
 Fax +65 6535 6631  
 Website: [www.poems.com.sg](http://www.poems.com.sg)

**JAPAN**  
**Phillip Securities Japan, Ltd.**  
 4-2 Nihonbashi Kabuto-cho Chuo-ku,  
 Tokyo 103-0026  
 Tel +81-3 3666 2101  
 Fax +81-3 3666 6090  
 Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**THAILAND**  
**Phillip Securities (Thailand) Public Co. Ltd**  
 15th Floor, Vorawat Building,  
 849 Silom Road, Silom, Bangrak,  
 Bangkok 10500 Thailand  
 Tel +66-2 6351700 / 22680999  
 Fax +66-2 22680921  
 Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**  
**Phillip Capital Inc**  
 141 W Jackson Blvd Ste 3050  
 The Chicago Board of Trade Building  
 Chicago, IL 60604 USA  
 Tel +1-312 356 9000  
 Fax +1-312 356 9005  
 Website: [www.phillipusa.com](http://www.phillipusa.com)

**INDIA**  
**PhillipCapital (India) Private Limited**  
 No.1, 18th Floor, Urmi Estate  
 95, Ganpatrao Kadam Marg  
 Lower Parel West, Mumbai 400-013  
 Maharashtra, India  
 Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
 Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**MALAYSIA**  
**Phillip Capital Management Sdn Bhd**  
 B-3-6 Block B Level 3 Megan Avenue II,  
 No. 12, Jalan Yap Kwan Seng, 50450  
 Kuala Lumpur  
 Tel +603 2162 8841  
 Fax +603 2166 5099  
 Website: [www.poems.com.my](http://www.poems.com.my)

**INDONESIA**  
**PT Phillip Securities Indonesia**  
 ANZ Tower Level 23B,  
 Jl Jend Sudirman Kav 33A  
 Jakarta 10220 – Indonesia  
 Tel +62-21 5790 0800  
 Fax +62-21 5790 0809  
 Website: [www.phillip.co.id](http://www.phillip.co.id)

**FRANCE**  
**King & Shaxson Capital Limited**  
 3rd Floor, 35 Rue de la Bienfaisance 75008  
 Paris France  
 Tel +33-1 45633100  
 Fax +33-1 45636017  
 Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**  
**Phillip Capital Limited**  
 Level 10, 330 Collins Street  
 Melbourne, Victoria 3000, Australia  
 Tel +61-03 8633 9803  
 Fax +61-03 8633 9899  
 Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**TURKEY**  
**PhillipCapital Menkul Degerler**  
 Esentepe Mah. Harman 1 Sk.  
 Nida Kule Kat 3-12 Levent-Şişli  
 34394, İstanbul Turkey  
 Tel: +90 (212) 239 10 00  
 Fax: 0212 233 69 29  
 Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**HONG KONG**  
**Phillip Securities (HK) Ltd**  
 11/F United Centre 95 Queensway  
 Hong Kong  
 Tel +852 2277 6600  
 Fax +852 2868 5307  
 Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**CHINA**  
**Phillip Financial Advisory (Shanghai) Co Ltd**  
 No 550 Yan An East Road,  
 Ocean Tower Unit 2318,  
 Postal code 200001  
 Tel +86-21 5169 9200  
 Fax +86-21 6351 2940  
 Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**UNITED KINGDOM**  
**King & Shaxson Capital Limited**  
 6th Floor, Candlewick House,  
 120 Cannon Street,  
 London, EC4N 6AS  
 Tel +44-20 7426 5950  
 Fax +44-20 7626 1757  
 Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**CAMBODIA**  
**Phillip Bank Plc**  
 Ground Floor of B-Office Centre, #61-64,  
 Norodom Blvd Corner Street 306, Sangkat  
 Boeung Keng Kang 1, Khan Chamkamorn,  
 Phnom Penh, Cambodia  
 Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
 Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**DUBAI**  
**Phillip Futures DMCC**  
 Member of the Dubai Gold and  
 Commodities Exchange (DGCX)  
 Unit No 601, Plot No 58, White Crown Bldg,  
 Sheikh Zayed Road, P.O.Box 212291  
 Dubai-UAE  
 Tel: +971-4-3325052 / Fax: + 971-4-3328895