

Stoneweg European REIT

No refinancing requirements until 4Q26

SINGAPORE | REAL ESTATE (REIT) | FY24 UPDATE



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13 March 2025

- 2H24/FY24 DPU of 7.056/14.106 €cents was in line with our estimates, forming 50%/99% of our FY24e forecast. It was 10.7%/10.1% lower YoY due to asset sales, higher finance costs, and higher current tax expense from the absence of a one-off tax credit. FY24 NPI was down 2.3% YoY, excluding divestments and redevelopments, it was 2.8% higher YoY. NPI for the office portfolio rose by 5% YoY, while the logistics/ light industrial portfolio grew by 1.5% YoY on a like-for-like basis.
- De-risked the balance sheet with the issuance of a new €500mn 6-year green bond in Jan 25 at a coupon rate of 4.25% to refinance the €450mn Nov 25 bond maturity. Portfolio occupancy dipped 0.4%pts QoQ to 93.5%, with FY24 portfolio rent reversion at +2.8%. Portfolio valuations rose 0.8% YoY on a like-for-like basis.
- Maintain BUY, with a lower DDM TP of €1.86 (previous €1.95) as we roll forward our forecasts. There is no change to our FY25e DPU estimate. SERT's pivot towards a 60% target asset class weight in light industrial/logistics aims to capitalise on positive structural trends, such as increased e-commerce penetration and the nearshoring of supply chains. We expect the mid-single digit positive rent reversion for the logistics/light industrial segment to continue in FY25e. Despite the YoY decline in DPU expected from higher finance costs in FY25e, SERT still trades at an attractive yield of 9.5%, and a P/NAV of 0.70x.

Results at a glance

(€'mn)	2H24	2H23	YoY	FY24	FY23	YoY	Comments
Gross revenue	106.6	108.1	-1.4%	212.9	216.5	-1.6%	Lower due to divestments.
Net property income	65.6	65.7	-0.2%	131.1	134.3	-2.3%	FY24 NPI was 2.8% higher on a like-for-like basis.
Net finance costs	(18.6)	(16.7)	11.3%	(36.0)	(32.4)	11.2%	Higher average all-in interest rate (FY24: 3.2% vs FY23: 2.6%).
Distributable Income	39.7	44.4	-10.7%	79.3	88.3	-10.1%	FY24 current tax expense was 29.4% higher YoY due to a €2.3mn one-off tax credit in FY23.
DPU (€ cts)	7.06	7.90	-10.7%	14.11	15.69	-10.1%	Realised gains from disposals of €31mn have not been included in DPU.

Source: Company, PSR

The Positives

+ Maintained positive rent reversion (2H24/FY24: 1.3%/2.8%) with long WALE of 5.1 years. The logistics/light industrial portfolio (2H24/FY24: 4.9%/+4.7%) drove the positive rent reversion. SERT's portfolio remains under-rented by c.8% compared to market rents, indicating the potential for positive rental reversions in the future.

+ Improved financial position with no loans due till 4Q26. SERT issued a €500mn 6-year green bond in Jan 25 at a coupon rate of 4.25%, with the proceeds being used to fully redeem the €450mn bond due Nov 25. As the latter had a coupon rate of only 2.125%, we expect SERT's all-in cost of debt to increase to c.4% (FY24: 3.2%) in FY25e. 89% of debt is hedged to a fixed rate, and gearing rose 0.2%pts QoQ to 41.2%.

+ Slight improvement in portfolio valuations as cap rates stabilised. FY24 portfolio valuations increased by 0.8% on a like-for-like basis, driven by a 4.5% increase in valuations for the light industrial/logistics assets. The office portfolio saw a 3.5% decline, mainly due to the weaker Finnish portfolio. We think there is further upside potential for valuations with more European Central Bank (ECB) rate cuts on the horizon.

BUY (Maintained)

LAST CLOSE PRICE	EUR 1.41
FORECAST DIV	EUR 0.13
TARGET PRICE	EUR 1.86
TOTAL RETURN	41.3%

COMPANY DATA

BLOOMBERG CODE:	SERT SP
O/S SHARES (MN) :	562
MARKET CAP (€ mn) :	793
52 - WK HI/LO (€ mn) :	1.66 / 1.29
3M Average Daily T/O (mn) :	0.25

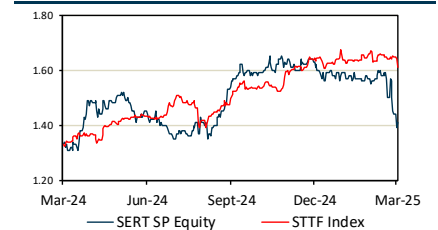
MAJOR SHAREHOLDERS (%)

STONEWEG ICONA CAPITAL	27.4%
HILLSBORO CAPITAL LTD	7.3%
BLACKROCK INC	5.0%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(6.1)	(10.7)	(7.9)
STTF RETURN	0.5	2.1	3.4

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (€\$m)	FY23	FY24	FY25e	FY26e
Gross Revenue	216.5	212.9	219.4	224.9
NPI	134.3	131.1	133.3	136.6
Dist. Inc.	88.3	79.3	75.5	76.6
P/NAV (x)	0.67	0.70	0.70	0.71
DPU (€ cents)	15.69	14.11	13.43	13.63
Dist. Yield (%)	11.13	10.00	9.53	9.66

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 10.2%; Terminal g: 2%)

Darren Chan (+65 6212 1849)
Senior Research Analyst
darrenchanrx@phillip.com.sg

The Negative

- **Portfolio occupancy dipped 0.4%pts QoQ to 93.5%.** This was due to a 0.9%pts decline in occupancy QoQ for the logistics/light industrial portfolio to 94.2% as Parc de Sully in France became vacant. In comparison, the office portfolio occupancy remained unchanged QoQ at 90.9%. SERT is making good progress in leasing up the vacant spaces amid strong leasing activity.

Outlook

SERT's portfolio is well positioned to capitalise on structural trends such as nearshoring and e-commerce growth, with the logistics/light industrial sector now comprising 55% of the portfolio. With the November 2025 bond refinancing completed, SERT is well-positioned to leverage its new sponsor's pipeline for strategic acquisitions and inorganic growth. All the debt has been repriced to current market levels.

Maintain BUY with a lower DDM TP of €1.86 (previous €1.95)

The current share price implies an FY25e/26e DPU yield of 9.5%/9.7%.

Financials

Income statement

Y/E Dec, (€\$'000)	FY22	FY23	FY24	FY25e	FY26e
Gross revenue	222,105	216,489	212,919	219,402	224,887
Property expenses	(85,330)	(82,208)	(81,774)	(86,111)	(88,263)
Net property income	136,775	134,281	131,145	133,291	136,624
Net Finance (Expense)/Inc.	(24,387)	(32,380)	(35,996)	(43,465)	(42,739)
Manager's fees	(6,057)	(5,894)	(5,431)	(5,341)	(5,349)
Other items	55,819	(6,034)	(6,142)	(6,429)	(9,099)
FV change, derivatives & ppties	(106,450)	(148,350)	(27,869)	-	-
Net income before tax	55,700	(58,377)	55,707	78,056	79,437
Taxation	(13,751)	(15,522)	(20,226)	(14,050)	(14,299)
Net income after Tax	41,949	(73,899)	35,481	64,006	65,139
Distribution adjustments	57,039	164,479	46,175	13,871	13,826
Income available for distribution	96,667	88,254	79,328	75,549	76,636

Per unit data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV (€\$)	2.42	2.12	2.03	2.00	1.99
DPU (€ cents)	17.19	15.69	14.11	13.43	13.63

Cash Flow

Y/E Dec, (€\$'000)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Net income before tax	55,700	(58,377)	55,707	78,056	79,437
Adjustments	69,792	183,245	67,708	47,285	46,966
WC changes	(5,014)	938	(12,104)	14,560	(13,391)
Cash generated from ops	120,478	125,806	111,311	139,902	113,013
Others	(28,132)	(36,674)	(40,571)	(48,467)	(47,829)
Cashflow from ops	92,346	89,132	70,740	91,435	65,184

CFI

Acquisition of investment properti	(107,463)	-	-	-	-
Capex, net	(38,884)	(83,053)	(43,599)	(33,477)	(33,230)
Others	(67,458)	194,645	25,345	50,000	-
Cashflow from investments	(106,342)	111,592	(18,254)	16,523	(33,230)

CFF

Proceeds from issuance of units	(121)	(13)	-	-	-
Loans, net of repayments	88,163	(66,857)	(812)	-	-
Distributions	(93,338)	(91,580)	(84,094)	(75,549)	(76,636)
Others	(4,534)	(3,911)	(2,839)	(2,839)	(2,839)
Cashflow from financing	(9,830)	(162,361)	(87,745)	(78,388)	(79,475)
Net change in cash	(23,826)	38,363	(35,259)	29,570	(47,521)
Cash at the start of the period	59,258	35,432	73,795	38,536	68,106
FX changes	-	-	-	-	-
Ending cash	35,432	73,795	38,536	68,106	20,585

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

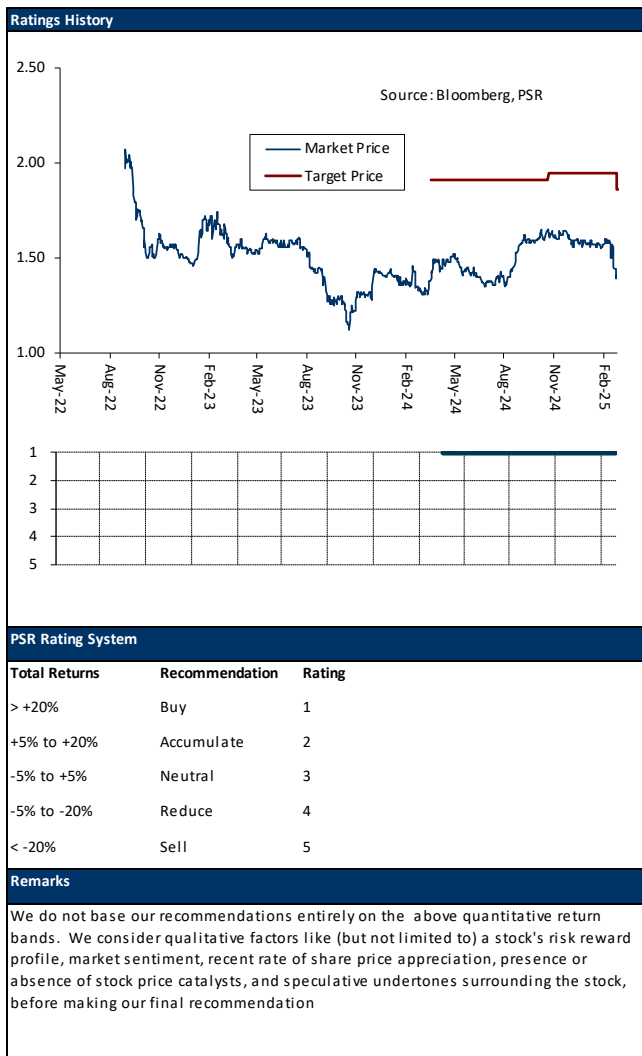
Y/E Dec, (€\$'000)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Investment properties	2,509,407	2,241,570	2,231,832	2,215,309	2,248,539
Others	27,845	12,650	12,842	9,486	9,490
Total non-current assets	2,537,252	2,254,220	2,244,674	2,224,796	2,258,029
Trade receivables	16,340	14,450	21,617	15,548	22,546
Cash	35,432	73,795	38,536	68,106	20,585
Others	960	25,008	17,332	17,332	17,332
Total current assets	52,732	113,253	77,485	100,986	60,463
Total Assets	2,589,984	2,367,473	2,322,159	2,325,782	2,318,491
LIABILITIES					
Loans and borrowings	50,630	-	450,000	450,000	450,000
Trade payables	42,385	42,073	37,817	46,310	39,920
Others	86,908	40,181	489,613	489,613	489,613
Total current liabilities	129,293	82,254	527,430	535,923	529,533
Loans and borrowings	964,284	947,600	498,681	498,681	498,681
Others	73,486	82,478	91,026	100,075	109,283
Total non-current liabilities	1,037,770	1,030,078	589,707	598,756	607,964
Total Liabilities	1,167,063	1,112,332	1,117,137	1,134,678	1,137,497
Net assets	1,422,921	1,255,141	1,205,022	1,191,104	1,180,994
Represented by:					
Unitholders' funds	1,422,921	1,255,141	1,205,022	1,191,104	1,180,994

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.58	0.67	0.70	0.70	0.71
Distribution Yield (%)	12.2	11.1	10.0	9.5	9.7
NPI yield (%)	5.5	5.7	5.9	6.0	6.1

Growth & Margins

	FY22	FY23	FY24	FY25e	FY26e
Growth					
Revenue	11.0%	-2.5%	-1.6%	3.0%	2.5%
Net property income (NPI)	5.1%	-1.8%	-2.3%	1.6%	2.5%
Distributable income	3.3%	-8.7%	-10.1%	-4.8%	1.4%
DPU	3.0%	-8.7%	-10.1%	-4.8%	1.4%
Margins					
NPI margin	61.6%	62.0%	61.6%	60.8%	60.8%
Key Ratios					
Net Debt or (Net Cash)	979,482	873,805	910,145	880,575	928,096
Gearing	39.2%	40.0%	40.9%	40.8%	40.9%



Contact Information (Singapore Research Team)
Head of Research

 Paul Chew – paulchewkl@phillip.com.sg
Research Admin

 Qystina Azli - qystina@phillip.com.sg
Technical Analyst

 Zane Aw – zaneawyx@phillip.com.sg
Property | REITs

 Darren Chan – darrenchanrx@phillip.com.sg
Property | REITs

 Liu Miaomiao – liumm@phillip.com.sg
Banking | Auto

 Glenn Thum – glenthumjc@phillip.com.sg
US Tech Hardware | E-commerce | ETF

 Helena Wang – helenawang@phillip.com.sg
Construction | Semiconductors

 Yik Ban Chong (Ben) – chongyb@phillip.com.sg
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

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

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

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

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

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

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

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

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

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

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

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

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmil 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

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

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

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