# Suntec REIT

## The discounted gem

### SINGAPORE| REIT | INITIATION

- 1H23 revenue rose 10.2% YoY driven by strong rental reversion of Singapore assets (+17.5% yoy for Suntec City Mall, +10.8% yoy for office portfolio). Revenue for Suntec Convection surged 95.2% YoY and is expected to be back to pre-COVID level in FY24e.
- SUN is actively deleveraging with a target gearing ratio of 40% (1H23 gearing: 42.6%). c.S$14m divestment of strata units in Suntec Office were completed in the 1H23. SUN remains committed of the divestment and eyeing other assets such as 477 Collins Street.
- At 0.57x P/NAV (FY23e, NAV:2.13), SUN is currently trading at 0.33 SD below its mean of 0.78 P/NAV and below the average SREIT historical valuation of 0.86x P/NAV. We initiate coverage with a BUY recommendation on Suntec REIT and a DDM-based target price of S$1.47 and an annual dividend yield of 5.64% under the current share price.

### Company Background

Suntec REIT (SUN) is a commercial real estate investment trust (REIT) with office and retail assets. It owns several Grade-A office buildings such as Suntec Office, a one-third stake in One Raffles Quay and a one-third stake in MBFC Towers 1 and 2. With 66.3% interest in Suntec Singapore Convention & Exhibition Centre and full ownership of Suntec City Mall, SUN owns an integrated commercial development known as Suntec City. ARA Trust Management (Suntec) Limited is the appointed manager. SUN has a diversified portfolio across geographies with 69% of revenue contributed from Singapore, 20% Australia and 13% UK.

### Key Investment Merits

- **Healthy operating metrics.** In 1H23, the Singapore Offices achieved a rental reversion of 10.8% and an overall occupancy rate of 99.3%. Occupancy for Suntec City Mall remained stable at 98.3%, while rental reversion experienced a noticeable increase of +18.2% (a 1.7% QoQ growth). Tenant sales reached 108% of the pre-COVID level, with expectations of further enhancement upon the complete recovery of international tourism. Furthermore, revenue for Suntec Convention surged 95.2% YoY to 83.7% of the pre-pandemic level and the management is confident that the revenue will gradually recover back to pre-COVID level in FY24 (1H19: S$28.9m).

- **Divestment over equity fundraising to lower its gearing.** In 1H23, SUN successfully sold 3 strata units in Suntec Office, summing up to around 10k sqft with at least 20% above book value. Proceeds from the sales was c.S$14m. SUN is also eyeing potential divestment for mature assets such as 477 Collins Street in Melbourne (currently valued at S$433.3m). With the target of lowering the gearing to 40% (currently is at 42.6%, +20bp YoY), we believe SUN needs to divest c.S$200m worth of assets more.

- **Valuation near record low.** SUN is currently trading at 0.33 SD below the mean and 0.57x P/NAV (FY23e, NAV:2.13) which is below the average SREIT (0.86x P/NAV). Despite the hike in Singapore 10-year bond yield to 3.22%, SUN is still trading at a positive spread of 2.33% (FY23e). SUN can benefit the most from interest rate due to its lower fixed rate debt of 58% vs peers' 76% (KREIT), 78.3% (MPACT) and 78% (CICT).

**BUY (Initiatio**

LAST CLOSE PRICE
FORECAST DIV
TARGET PRICE
**TOTAL RETURN**

**COMPANY DATA**

BLOOMBERG CODE:
O/S SHARES (MN) :
MARKET CAP (USD mn / SGD
52 - WK HI/LO (SGD) :
3M Average Daily T/O (mn)

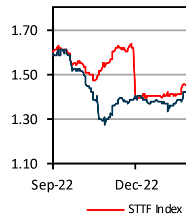
**MAJOR SHAREHOLDERS**

Raffles Investments Ltd
ARA Asset Management Ltd
Tang Gordon

**PRICE PERFORMANCE (%)**

COMPANY
STTF RETURN

**PRICE VS. STTF**




Source: Bloomberg, PSR

**KEY FINANCIALS**

**Y/E Dec**
Gross Rev ($mn)
Dist. Inc. ($mn)
P/NAV (x)
DPU (cents)
Dist. Yield (%)

Source: Company, PSR

**VALUATION METHOD**

DDM (Cost of Equity:10.4%;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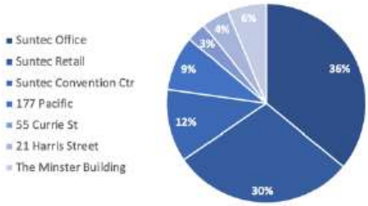
## Revenue

### Gross revenue

As of Dec22, SUN's portfolio comprises various properties, including 100% ownership of office and retail properties in Suntec City, a 66.3% stake in Suntec Singapore (which includes the convention centre and approximately 143,000 sq ft of net lettable area in Suntec City Mall), full ownership (100%) of 177 Pacific Highway, 21 Harris Street, and 55 Currie Street, as well as The Minster Building( 100% owned by subsidiary).

*Figure 2: Income Contribution breakdown*




Source: Company, PSR

*Figure 4: Income classified as Gross Revenue*

| Property | Stake | Property | Stake |
|---|---|---|---|
| **Suntec City** | | **177 Pacific** | **100%** |
| Suntec Office | 100% | **55 Currie St** | **100%** |
| Suntec Retail | 100% | **The Minster Building** | 100% |
| **Suntec Convention** | **66%** | **21 Harris Street** | **100%** |

Source: Company, PSR

### Joint Venture

Suntec REIT holds a 50.0% interest in 477 Collins Street through joint ventures. It has a one-third interest in ORQ and MBFC Properties, as well as a 50.0% interest in Southgate Complex and Nova Properties.

*Figure 6 Income classified as Joint Venture*

| Property | Stake | Stake | Stake |
|---|---|---|---|
| **MBFC** | | **Southgate** | |
| MBFC Ph1 Office | 33% | Southgate Retail | 50% |
| MBLM | 33% | Southgate Office | 50% |
| **ORQ** | **33%** | **Nova prop** | **50%** |
| **477 Collins St** | **50%** | | |

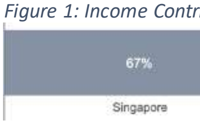
Source: Company, PSR

## Tenant Profile

Driven by demand from Banking, Insurance and Financial Services industry; Technology, Media and Telecommunications sector ("TMT"), and consultancy sector, we continue to see tenants coming from these industries which contribute to 31%, 29% and 7% NLA of new leases and renewals of the Singapore office portfolio respectively.

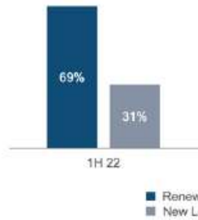
*Figure 7: Singapore Office Portfolio Tenant Mix (sq ft) as of 1H23*


*Figure 1: Income Contr*



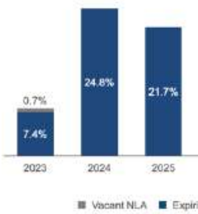

Source: Company, PSR

*Figure 3: Singapore Of*
*Strong renewal rate*




Source: Company, PSR

*Figure 5: Singapore Of*
*Expiry Profile % of Tot*




Source: Company, PSR

As at 1H23, 551,400 sqft has been leased or renewed, and office tends to have a higher percentage of renewal compared to retail ( 75% vs 67%). We observed a prolonged decision making time for renewal in Singapore. Office leasing activities are generally muted in Australia as 100% of leases done in 1H23 were renewal instead of new tenants.

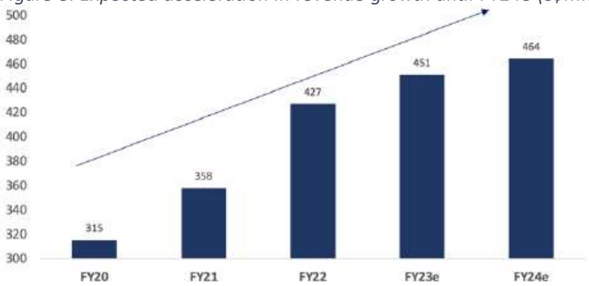
The major tenants in Suntec City Mall include many international retailers and local businesses with strong brand names. The ARA management team has also been actively rebalancing the portfolio by onboarding new offerings such as BYD, the EV car company.

## Revenue Growth

We are anticipating a 2% YoY revenue growth for FY23e, amounting to $436.1mn (+19% pre-COVID level, FY19) driven by a higher contribution from Suntec City Mall and Suntec Convention. Despite the current conservative economic outlook, we maintain a positive projection for office rental reversion in 2H23.

On the other hand, we predict a reduced revenue contribution from 55 Curries Street in Australia due to a c.9% increase in vacancy in FY23e. In addition, the Minister Building in the UK is expected to experience a reduction of about 6% in NLA during FY24e as the result of tenants pulling out. However, these could potentially be mitigated by the full recovery of Suntec Convention and the robust retail rental reversion in Singapore.

*Figure 8: Expected acceleration in revenue growth until FY24e (S$mn)*




Source: Company, PSR

## Expense

The expenses have mainly been arising from property expenses, which include maintenance charges, property manager's fees, property tax, and other expenses such as advertising, utilities, insurance, security, and publicity expenses, among others. The net property income margin has historically ranged around 60-70%. Due to inflationary pressure such as higher utility costs and increasing maintenance fund contribution, net property margin at 1H23 was 68.3% (74% in FY22) and is expected to deteriorate slightly further.

*Figure 9: SUN's Fee Structure*

| SUN's Fee Structure | |
|---|---|
| **Base fee** | 0.3% per annum of the value of the Deposited Propert |
| **Performance fee** | of 4.5% of Suntec REIT's Net Property Income |
| **Trustee's fees** | Up to 0.03% per annum of the value of its Deposited Property, subject to a minimum of S$9,000 per month, excluding out of pocket expenses and GST |
| **Acquisition fee** | 1.0% of the acquisition price of any real estate purchased directly or indirectly by Suntec REIT |
| **Divestment fee** | 0.5% of the sale price of any real estate directly or indirectly sold or divested by Suntec REIT |

Source: Company, PSR

**Sponsor:** Suntec City Development Pte Ltd (SCDPL) serves as the Strategic Advisor to the investment manager globally. With US$156 billion in total assets under management (AUM), ESR Group's fully integrated development and investment management platform extends across key APAC markets, including Greater China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR Group is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

**Tax:** There is no withholding tax for individual unitholders according to Section 286 of the SFA. SUN has been reporting the its distribution rate with classification of taxable income and tax-exempted-income. Since listing, tax as a percentage of total return before tax ranges from 0.3% to 7.4%. In 1H23, tax rate was 9.6%.

**Dividend distribution:** SUN is paying quarterly dividend. Since listing in 2005, SUN has a consistent track record of paying 100% of its Distributable Income. However, since FY13 SUN has been paying more than 100% and in FY22 the payout ratio was 110%. In FY23, SUN is expected to remain committed for 100% payout ratio.

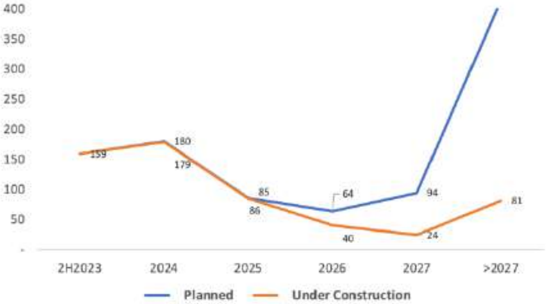
## Industry

**Singapore Office and Convention**

The recovery momentum for Suntec Convention is anticipated to extend into 2024, primarily driven by a robust pipeline of MICE (Meetings, Incentives, Conferences, and Exhibitions) events. The domestic market remains to be the main pillar and the recovery of China which is expected to have a more positive influence in the 2H23.

The cautious economic outlook and a downsizing from the technology sector in the 1H23 are expected to lead to a softening of the office market, and the management team is guiding moderate rental growth. According to Cushman & Wakefield, as of Q1 2023, the total amount of CBD Grade A shadow office spaces has increased to 328k sqft, up 26% yoy. However, the majority of this increase is attributed to the tech sector which is not indicative of widespread distress in the overall office market. Cushman & Wakefield also mentioned, underpinned by the limited new office supply (159k sqm under construction in 2023), sentiment of flight to quality and increasing inquiries from Chinese companies, the rent for Core Central Business District (CBD) Grade A office spaces is projected to grow 3-5% in 2023.

*Figure 10: Singapore office supply 2023-2027*




Source: URA, PSR

**Singapore Retail**

Retail sales in Singapore eased to 1.8% YoY in May23. Prime location retail rents in 2Q23 amidst the stabilization of office-based crowds, retail rents in Other City Areas are anticipated to experience a year-on-year increase of approximately 1% to 2% in 2023. Supply is also surging up to 29k sqm in 2023 which increased by 82% compared to 2019 level.

**Australia Office and Retail**

According to Cushman & Wakefield, Melbourne CBD witnessed stability in prime gross effective rents, while prime face rents saw an increase. CBD net absorption in Q1 2023 remained at a modest 81k sqm, indicating a relatively flat demand, primarily influenced by contractions of office demand which <1,000 sqm. However, there was robust demand for prime grade assets, showcasing the evident flight-to-quality trend within the CBD market. While business confidence remains cautious, it remains higher than longer-term averages. However, larger tenants are taking longer to commit, with many choosing short-term extensions instead of long-term commitments.

As for retail, over the past year, retail trade in Melbourne has consistently outperformed the national average, with an impressive growth of 11%. However, yields across various assets have softened due to the impact of rising interest rates and increased borrowing costs.

**Balance Sheet**

As at the end of 1H23, SUN's aggregate leverage stood at 42.6% with average funding cost increased to 3.64% (+70bp YoY). Adjusted ICRc weakened further to 2.1x (1H22: 2.7x) which capped the gearing ceiling to 45%. SUN has hedged c.58% of its funding cost into fixed rates in 1H23 which is one of the lowest among S-REITs. SUN has completed the refinancing in 1Q23 and is left with S$900m to be refinanced in FY24 with cost at 4.8%. We expect borrowing cost to peak in FY24 and be partially offset by its growth in revenue. Taking the higher-for-longer interest rate into consideration, we expected the all-in interest cost in FY24 to be 4.8%.

## Risks

**Currency risk:** Despite the foreign currency income hedged to up to 63% as of 1H23, SUN generates 33% revenue in other currencies such as GBP and AUD and needs to convert it into Singapore dollars for dividend distribution to unitholders, so the distributable income is significantly impacted by changes in the foreign exchange rate.

**Operational risk:** The portfolio Weighted Average Lease Expiry (WALE) for office is 4.3 years and for retail is 2.2 years. Given the muted office market in Australia and the increasing decision making time in Singapore and UK, revenue income for office is susceptible to the renewal decision of current tenant and the ability to secure suitable replacement.

**Income risk:** We see some cases of tenant downsizing or defaulting in certain area. Minister building received a S$1m break penalty for early termination in 1H23. The building is expecting 6% vacant space in FY24.

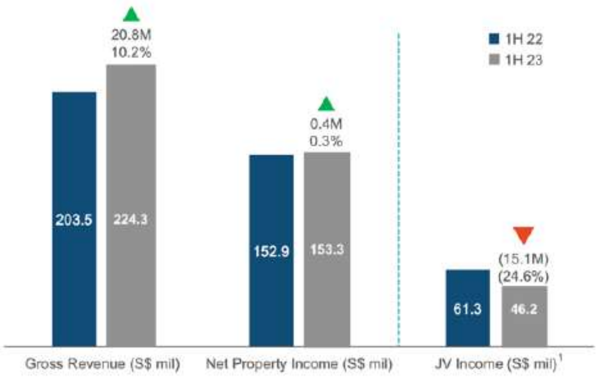
## Financial Analysis

**1H23 result highlights**

SUN's 1H23 revenue rose 10.2% YoY to S$224.3m on the back of higher contribution from higher contribution from Suntec City Office, Suntec City Mall and Suntec Convention. Despite NPI up by 0.3%, distribution to unitholders fell 27.2% YoY to S$100.5m due to weaker GBP and AUD against SGD, higher maintenance fund contribution and lower contribution from JV income ( Nova Properties London). Rising borrowing cost (+70bp yoy) imposed pressure on DPU and 1H23 DPU decreased 27.7% YoY to 3.476 Scents.

Meanwhile, the portfolio occupancy crept up to 98.6% (+1.6% YoY) for the office portfolio and

*Figure 11: 1H23 vs 1H22 Financials*




Source: Company, PSR

## Valuation

We initiate coverage on Suntec REIT with a BUY recommendation and a price target of S$1.47. Our valuation is based on DDM using a cost of equity of a 10.4% and 1% terminal growth rate. At the current share price, SUN is priced at 5.64% FY23e DPU yield.

*Figure 12: Price to NAV trading near record lows*


Source: Company, PSR

As of Dec22, Suntec REIT possessed a property portfolio encompassing approximately 4.4 mn square feet of office space and over 1.0 mn square feet of retail and convention space. This portfolio's valuation reached S$11.8 bn, and when combined with cash and other assets, the total assets under management (AUM) amounted to S$12.3 bn. This marked a 0.8% increase compared to the previous year. This growth was primarily attributed to the rise in the valuation of the Singapore portfolio, although this was partially counterbalanced by decreased valuations of the Australia and United Kingdom portfolios. The net asset value of Suntec REIT was S$2.12 per unit as of Dec 22.

*Figure 13: Portfolio snapshot: Singapore and UK Properties*

| | Suntec City | | One Raffles Quay | MBFC Properties | Nova Properties | The Minster Building |
|---|---|---|---|---|---|---|
| | Suntec City – Office & Retail | Suntec Convention | | | | |
| **Description** | Integrated commercial development comprising five office towers and one of Singapore largest retail mall | World-class convention and exhibition centre | Two premium Grade A office towers | Two premium Grade A office towers and a subterranean mall | Two Grade A Office buildings with ancillary retail development | Grade A Office building |
| **Ownership** | 100% | 66.3% | 33.33% | 33.33% | 50% | 100% |
| **City/Country** | Singapore | Singapore | Singapore | Singapore | London, UK | London, UK |
| **Segment** | Office and Retail | Convention | Office | Office and Retail | Office | Office |
| **NLA[1] (sq ft)** | Office:~1.3 mil<br>Retail:~0.9 mil | ~430,000 | ~440,000 | Office:~543,000<br>Retail:~32,000 | ~280,000 | ~293,000 |
| **Valuation as of 31 Dec 2022** | Office: S$3,145.0 mil<br>Retail: S$2,315.3 mil | S$218.4 mil | S$1,323.3 mil | S$1,767.7 mil | £434.0 mil [2] | £314.3 mil [3] |
| **Cap rate** | Office: 3.50%<br>Retail: 4.50% | 5.75% | 3.40% | Office: 3.40%<br>Retail: 4.25% | 4.43% | 4.66% |

Source: Company, PSR

*Figure 14: Portfolio snapshot: Australia Properties*

| | 177 Pacific Highway | Southgate Complex | Olderfleet 477 Collins Street | 55 Currie Street | 21 Harris Street |
|---|---|---|---|---|---|
| **Description** | 31-storey Grade A office building | Integrated development comprising two A-Grade office towers and a retail podium | Premium Grade, 40-level state- of-the-art building | Twelve-storey, Grade A office building | Nine-storey, Grade A office building |
| **Ownership** | 100% | 50% | 50% | 100% | 100% |
| **City/ Country** | Sydney | Melbourne | Melbourne | Adelaide | Sydney |
| **Segment** | Office | Office and Retail | Office | Office | Office |
| **NLA[1] (sq ft)** | ~431,000 | Office:~355,000<br>Retail:~52,000 | ~315,000 | ~282,000 | ~203,000 |
| **Valuation as of 31 Dec 2022** | A$712.0 mil | A$372.5 mil | A$478.0 mil | A$144.0 mil | A$300.0 mil |
| **Cap rate** | 5.13% | Office: 5.63%<br>Retail: 6.25% | 4.50% | 6.75% | 5.25% |

Source: Company, PSR

**<u>Suntec City</u>**

Suntec City stands as an iconic integrated commercial development positioned within the Marina Central Business Improvement District. Functioning as a distinguished hub for business, MICE activities, shopping, and lifestyle experiences, Suntec City encompasses five outstanding Grade A office towers, one of Singapore's largest shopping malls, and a world-renowned convention and exhibition center. The intricate layout of the development connects various components through street-level plazas and underground walkways, with the prominent Fountain of Wealth situated at its core. Suntec REIT possesses a 55.7% ownership stake in Suntec City Office, complete ownership of Suntec City Mall, and a 66.3% interest in Suntec Singapore Convention and Exhibition Centre (Suntec Singapore). Easily accessible via both private vehicles and public transportation, Suntec City accommodates over 3,000 parking spaces spread across


Source: Company

**Suntec City Office**

Suntec REIT possesses a net lettable area ("NLA") of around 1.3mn square feet within Suntec City Office. This encompasses strata units spread across Towers 1, 2, and 3, as well as all strata units situated in Towers 4 and 5. Towers 1 to 4 stand as 45-storey structures, offering floor plates that range from 10,000 square feet to 14,000 square feet on average. In contrast, Tower 5, an 18-storey building, features notably larger floor plates, approximately 28,000 square feet in size. Backed by limited supply and sentiment of flight to quality, Grade A office in Singapore continues to enjoy positive rental reversion. Suntec City Office Towers has a resilient track record even during the challenging times of the 2009 Global Financial Crisis (vacancy rate was 7.5%); historically it has long been enjoying robust occupancy rate due to its convenient access of 2 MRT stations, sufficient carpark lots and wide range of F&B offerings. Suntec office currently is at 99.9% (core CDB average occupancy at 94.8%) and with rental lower than the market rate, we are expecting positive rental reversion in 2H23.

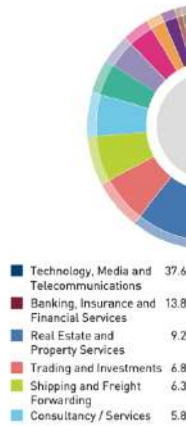
*Figure 17: Suntec City Office*


Source: Company, PSR

**Suntec City Mall**

Suntec City accommodates more than 340 retail establishments, encompassing a diverse selection of specialty stores, dining venues, and entertainment concepts. Beyond serving the local residents and tourists, the mall also addresses the requirements of the workforce located in and around Suntec City. Furthermore, it caters to the extensive community of local and global attendees who gather at Suntec Singapore for exhibitions, seminars, and conferences. As Dec22, 71.4% of Suntec City's total retail NLA is due to expire during the period from FY2023 to FY 2025, whilst 26.8% is due to expire in FY 2026 and beyond.

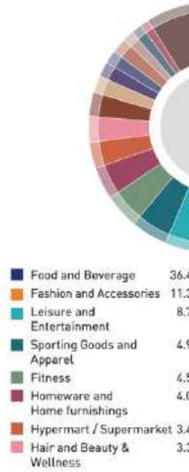
*Figure 16: Tenan*
*Office as at Dec22*




Source: Company, PSR


Source: Company

*Figure 19: Tenant*
*Retail as at Dec22*




Source: Company, PSR

*Figure 20: Suntec City Mall*

Source: Company, PSR

**Suntec Singapore Convention & Exhibition Centre**

Suntec Singapore Convention & Exhibition Centre, recognized as a world-class venue for meetings, conventions, and exhibitions, stands out for its exceptional attributes. This acclaimed facility offers adaptable and personalized spaces that can cater to gatherings ranging from 10 to 10,000 participants. With direct access to approximately 5,800 hotel rooms, 1,000 retail outlets, and 300 restaurants, the venue is conveniently situated in close proximity to Singapore's array of entertainment and cultural attractions. Throughout 2022, both the recovery of business at Suntec Singapore and the wider Meetings, Incentives, Conferences, and Exhibitions (MICE) industry in Singapore continued to feel the effects of the ongoing situation. In the initial half of 2022, the demand from the domestic market for physical-virtual hybrid events and meetings emerged as pivotal factors driving the convention business.

*Figure 21: Suntec City Mall*

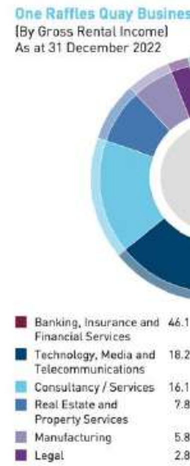
**One Raffles Quay**

Positioned within Marina Bay, One Raffles Quay stands as a prominent and strategically located commercial development of the highest calibre. Crafted by the esteemed architectural firm Kohn Pedersen Fox Associates from New York, One Raffles Quay features two remarkable office towers: the 50-storey "North Tower" and the 29-storey "South Tower." This iconic development boasts a below-ground pedestrian network, seamlessly linking it to the Downtown and Raffles Place Mass Rapid Transit (MRT) stations, as well as the significant structures within Marina Bay and Raffles Place. Embracing functionality, the development includes a sheltered plaza designed for drop-offs, along with a hub car park equipped with 713 parking spaces.

*Figure 23: ORQ*

Source: Company, PSR

*Figure 22: Tenant Dec22*




Source: Company, PSR

# Financials

**Income Statement**

| Y/E Dec, (S$Mn) | FY20 | FY21 | FY22 | FY23e | FY24e |
|---|---|---|---|---|---|
| **Gross Revenue** | **315.39** | **358.07** | **427.27** | **436.11** | **453.47** |
| Expenses | (115.51) | (103.44) | (111.52) | (130.83) | (136.04) |
| **Net property income** | **199.88** | **254.63** | **315.75** | **305.28** | **317.43** |
| Share of profit of jointly controlled entities | **56.39** | **102.91** | **144.86** | **87.08** | **89.10** |
| Asset Management fees | **(51.43)** | **(57.87)** | **(61.17)** | **(49.15)** | **(50.00)** |
| **EBIT** | 207.92 | 308.32 | 401.58 | 339.67 | 352.96 |
| Net financing costs | (92.84) | (94.38) | (112.24) | (193.28) | (193.28) |
| **NPAT** | **(115.66)** | **490.51** | **497.63** | **141.76** | **154.63** |
| **PATMI** | **(72.74)** | **465.35** | **462.84** | **116.44** | **129.31** |
| **Distributable income** | **209.21** | **247.20** | **255.51** | **198.37** | **213.27** |

**Per unit data**

| Y/E Dec, (S$Mn) | FY20 | FY21 | FY22 | FY23e | FY24e |
|---|---|---|---|---|---|
| NAV (S$) | 2.05 | 2.11 | 2.12 | 2.14 | 2.16 |
| DPU (S cents) | 7.40 | 8.67 | 8.88 | 6.83 | 7.29 |

**Cash Flow**

| Y/E Dec, (S$Mn) | FY20 | FY21 | FY22 | FY23e | FY24e |
|---|---|---|---|---|---|
| **CFO** | | | | | |
| **Total Return** | **115.08** | **260.55** | **289.34** | **146.38** | **159.68** |
| Adjustments | (39.52) | 79.59 | (13.74) | (3.74) | 0.68 |
| Operating income before working capital Δs | 194.67 | 246.81 | 285.60 | 147.06 | 160.36 |
| Cash generated from operations | 212.08 | 247.62 | 279.21 | 150.88 | 164.70 |
| **Cash flow from operating activities** | **212.08** | **243.73** | **272.97** | **146.25** | **159.65** |
| **CFI** | | | | | |
| CAPEX | 72.32 | 80.59 | 66.67 | 142.00 | 145.69 |
| Interest received | 18.17 | 24.69 | 48.55 | 39.20 | 39.20 |
| Dividend received | 72.32 | 80.59 | 66.67 | 142.00 | 145.69 |
| **Cash flows from investing activities** | **(1,148.78)** | **(82.68)** | **125.99** | **118.21** | **121.89** |
| **CFF** | | | | | |
| Financing costs paid | (128.36) | (127.01) | (133.06) | (232.49) | (232.49) |
| Distributions to unitholders | (211.00) | (246.02) | (263.44) | (198.37) | (213.27) |
| **Cash flows from financing activities** | **991.44** | **(116.94)** | **(383.59)** | **(430.86)** | **(445.75)** |
| **Net change in cash** | **54.74** | **44.11** | **15.36** | **(166.40)** | **(164.21)** |
| Cash at the start of the period | 157.21 | 227.47 | 268.31 | 269.61 | 251.98 |
| Others | 15.53 | (3.27) | (14.07) | - | - |
| **Ending cash** | **227.47** | **268.31** | **269.61** | **251.98** | **240.41** |

Source: Company, Phillip Securities Research (Singapore) Estimates

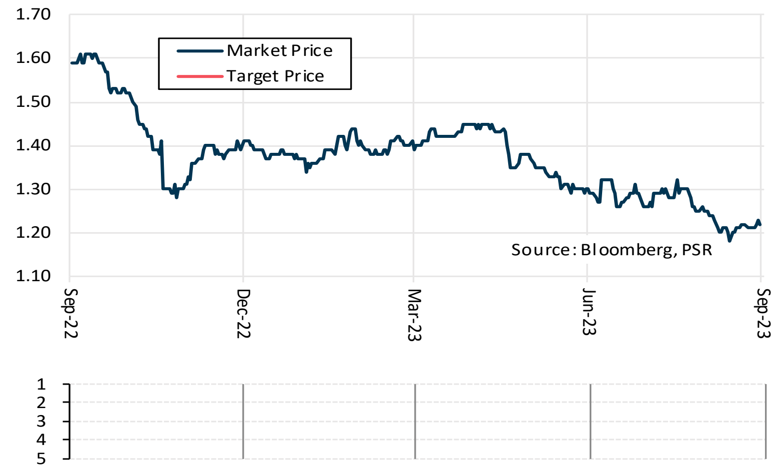
**Balance Sheet**

| Y/E Dec, (S$Mn) | FY20 | FY21 | FY22 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 227.47 | 268.31 | 269.61 |
| Trade and other receivables | 32.11 | 29.96 | 23.48 |
| **Current assets** | **259.59** | **303.05** | **296.76** |
| Investment properties | 7,263 | 7,913 | 7,907 |
| Interest in jointly controlled entities | 3,686 | 3,445 | 3,424 |
| **Non-current assets** | **10,968** | **11,386** | **11,414** |
| **Total Assets** | **11,227** | **11,689** | **11,710** |
| **LIABILITIES** | | | |
| Trade and other payables | 112.87 | 105.10 | 128.70 |
| Interest bearing borrowings | 678.20 | 499.75 | 645.58 |
| **Current liabilities** | **837.48** | **639.72** | **806.72** |
| Interest bearing borrowings | 4,148 | 4,419 | 4,198 |
| Deferred tax liabilities | 50.42 | 67.16 | 61.97 |
| **Non-current liabilities** | **4,277** | **4,550** | **4,320** |
| **Total Liabilities** | **5,114** | **5,190** | **5,126** |
| **Net assets** | **6,113** | **6,499** | **6,584** |
| **Represented by:** | | | |
| Unitholders' funds | **5,830** | **6,053** | **6,116** |
| NIC | 84.84 | 98.07 | 119.73 |
| Perps | 198.68 | 348.01 | 348.04 |
| **Total Equity** | **6,113** | **6,499** | **6,584** |

**Valuation Ratios**

| Y/E Dec, (S$Mn) | FY20 | FY21 | FY22 |
|---|---|---|---|
| P/NAV (x) | 0.72 | 0.76 | 0.60 |
| Distribution Yield (%) | 5.04 | 5.38 | 6.94 |
| **Growth & Margins** | | | |
| **Growth** | | | |
| Revenue | | 13.5% | 19.3% |
| Distributable income | | 18.2% | 3.4% |
| DPU | | 17.1% | 2.5% |
| **Key Ratios** | | | |
| Net Debt or (Net Cash) | (6,401) | (6,770) | (6,867) |
| Gearing | 44.0% | 43.2% | 42.4% |

**Ratings History**




**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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