ESR-REIT

Looking to be a bigger fish in a bigger pond

- Expect a re-rating from a larger market capitalisation and trading liquidity.
- Upside to yields from operational cost synergies and economies of scale via integration of enlarged portfolio.
- Accretion from the acceleration of AEIs and inorganic growth from the large Sponsor's pipeline could provide further upside to our TP of S$0.62.

Singapore

ADD *(no change)*

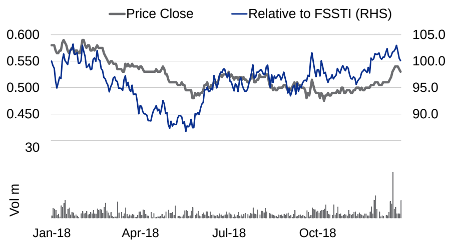
Consensus ratings*:	Buy 4	Hold 0	Sell 0

Current price:	S$0.53
Target price:	S$0.62
Previous target:	S$0.62
Up/downside:	16.4%
CGS-CIMB / Consensus:	4.5%
Reuters:	ESRR.SI
Bloomberg:	EREIT SP
Market cap:	US$1,239m
	S$1,680m
Average daily turnover:	US$1.04m
	S$1.42m
Current shares o/s:	3,169m
Free float:	66.0%

**Source: Bloomberg*

Key changes in this note

- FY19F DPU increased by 6.8%.
- FY20F DPU increased by 6.8%.
- FY21F DPU increased by 8.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6	2.9	-7.8
Relative (%)	2.8	-1.8	1.5

Major shareholders	% held
Tong Jinquan	34.0
e-shang Infinity Cayman	8.3

FY18 results in line with expectations

Post-merger with Viva Industrial Trust (VIT), FY18 DPU of 3.857Scts (+0.1% yoy) was supported by a 43% increase in NPI and offset by a 141% increase in units from the merger and the preferential offering. FY18 DPU was largely in line with consensus and formed 108% of our forecast. EREIT recorded a -2.9% rental reversion for FY18 (-15.8% in FY17) while occupancy improved slightly to 93.0%. WALE declined to 3.8 years from 4.3 years in FY17 while tenant retention improved to 56.6% from 47.2% in 3Q18. Gearing went up to 41.9% with 83.4% of debt on fixed interest rates.

Growing into its new stature

Post-merger, EREIT's market capitalisation increased by 100.2% to S$1,616.8m and its trading liquidity improved 63.6% to 2.47m based on average daily volume traded. As a result, we believe a re-rating could occur as it establishes a track record. We think there is potential upside to earnings from cost synergies of 2-3% once operational efficiencies are achieved in the medium term.

Riding the industry wave up from the trough

From 2019, we expect the supply of industrial property to taper off with business parks seeing the smallest increase across the segments. We view this positively since the merger resulted in business parks becoming EREIT's largest segment, contributing 31.5% of FY18 rental income. EREIT is also nearing the end of its conversion strategy to increase the proportion of multi-tenanted buildings. We expect this to provide flexibility for EREIT to capture rental upside in an increasingly stabilised market.

Possible AEIs to unlock value and acquisitions to grow the portfolio

We expect EREIT to undertake asset enhancement initiatives to maximise unutilised plot ratios and to upgrade lower specification properties. Possible AEI candidates include 7000 Ang Mo Kio and 3 Tuas South Ave 4. Furthermore, the Sponsor's pipeline offers >10m sqm of operating assets in Asia Pacific excluding Singapore. We think acquisitions are likely once the integration is successfully completed.

Maintain Add with a TP of S$0.62

We increase our FY19-FY21F DPU by 6.8% to 8.4% to incorporate the actual impact of the merger and update occupancy and rental reversion assumptions. Overall, we maintain our Add call and a DDM-based TP of S$0.62. We expect to see a re-rating in the long term once a track record has been established. Downside risks are a slower recovery in industrial rents and large tenant non-renewals.

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Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Property Revenue (S$m)	109.7	156.9	264.8	267.4	270.0
Net Property Income (S$m)	78.4	112.0	196.1	199.9	203.9
Net Profit (S$m)	0.6	(239.5)	115.6	119.4	123.2
Distributable Profit (S$m)	50.4	74.5	136.4	140.1	144.0
Core EPS (S$)	0.04	(0.14)	0.04	0.04	0.04
Core EPS Growth	(10%)	(470%)		3%	3%
FD Core P/E (x)	14.48	NA	14.54	14.08	13.64
DPS (S$)	0.038	0.023	0.043	0.044	0.045
Dividend Yield	7.16%	4.43%	8.12%	8.34%	8.57%
Asset Leverage	39.5%	41.6%	43.3%	43.7%	44.0%
BVPS (S$)	0.59	0.47	0.46	0.45	0.45
P/BV (x)	0.90	1.14	1.15	1.17	1.19
Recurring ROE	6.0%	(19.6%)	7.9%	8.2%	8.6%
% Change In DPS Estimates			6.82%	6.84%	
CIMB/consensus DPS (x)			1.08	1.05	1.08

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Looking to be a bigger fish in a bigger pond

Figure 1: Results comparison

FYE Dec (S$ m)	4Q FY18	4Q FY17	yoy % chg	qoq % chg	FY18 Cum	FY17 Cum	yoy % chg	Prev. FY18F	Comments
Revenue	58.4	27.2	*114.9*	*80.5*	156.9	109.7	*43.0*	138.2	Includes 2.5 mths of VIT results
Property operating expenses	(16.1)	(7.2)	*122.6*	*64.5*	(44.9)	(31.3)	*43.6*	(37.6)	0.0
NPI	42.3	19.9	*112.1*	*87.4*	112.0	78.4	*42.8*	100.6	Includes 2.5 mths of VIT results
NPI margin (%)	*72.4*	*73.3*			*71.4*	*71.5*		*72.8*	
Interest expense	(10.9)	(5.3)	*106.7*	*105.9*	(27.4)	(20.4)	*34.3*	(22.6)	
Interest & invt inc	0.0	0.1	*(79.7)*	*220.0*	0.0	0.1	*(57.5)*	0.1	
Mgmt fees & trust expenses	(4.2)	(2.7)	*55.5*	*77.8*	(11.7)	(9.2)	*27.6*	(11.1)	
Associates' contrib	-	-	*na*	*na*	-	-	*na*	-	
Other trust expenses	(283.2)	-	*na*	*na*	(283.2)	-	*na*	-	
Exceptionals & revaln	(16.7)	(47.1)	*(64.5)*	*7,334.2*	(18.0)	(47.6)	*(62.1)*	-	
Pretax profit	(272.7)	(35.0)	*678.2*	*(1,955.1)*	(228.3)	1.4	*(16,442.0)*	67.1	
Tax	-	-	*na*	*na*	(0.1)	-	*na*	-	
Tax rate (%)	-	-			*(0.0)*	-		-	
Minority interests	(1.4)	-	*na*	*na*	4.2	0.8	*na*	3.6	
Perpetual securities	-	-	*na*	*na*	-	-	*na*	(8.0)	
Net profit	(274.2)	(35.0)	*682.3*	*(1,967.0)*	(224.2)	2.2	*(10,390.6)*	62.7	
Distr profit	29.3	12.2	*140.0*	*118.4*	71.9	50.4	*42.8*	56.8	Includes distribution from ex-gratia payments from Singapore Land Authority in connection with compulsory acquisition of land
DPU (S cts)	1.01	0.93	*8.2*	*(14.0)*	4.02	3.85	*4.3*	3.57	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

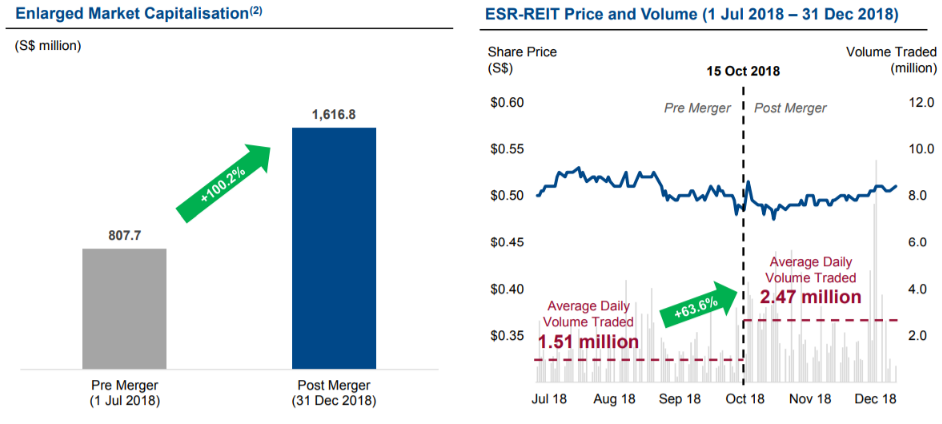
Growing into its new stature

On 15 Oct 2018, the merger between ESR REIT (EREIT) and Viva Industrial Trust (VIT) was completed. EREIT paid S$0.96 per unit via 10% cash and 90% in new EREIT units issued at S$0.54 per unit to VIT unitholders. The merger resulted in the following:

- **Increased market capitalisation and trading liquidity**: Since the merger, EREIT's market capitalisation has increased by 100.2% to S$1,616.8m as of 31 Dec 2018. Trading liquidity has also been enhanced by 63.6% to 2.47m based on average daily volume traded.

- **Lower cost of funding and other cost synergies**: Management said that cost of funding could improve due to margin compression on loans as banks recognise the parentage of ESR and the larger AUM. As at 4Q18, this was offset by greater and longer hedging activities and possibly a higher base rate as borrowing cost has increased to 3.81% (3.76% in 3Q18). Cost synergies of 2-3% from the consolidation of property management services and bulk tender contracts are also expected to gradually come in once operational efficiencies are achieved.

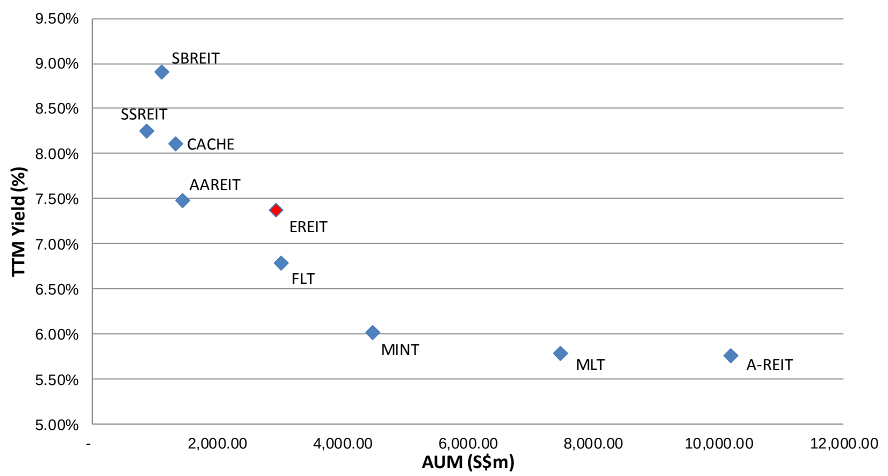
Figure 2: Enlarged market capitalisation and trading liquidity of ESR REIT



SOURCES: ESR-REIT

One of the management's expectations from the merger was a potential re-rating of the REIT as possibly the fourth-largest industrial S-REIT and the largest industrial S-REIT with pure exposure to the Singapore industrial market. To date, a re-rating has yet to occur and EREIT is still trading at 7.4% yield, comparable to that of small-cap industrial S-REITs. This could boil down to a few factors like weak market sentiment in 4Q18 and a perceived lack of track record of the REIT Manager.

Figure 3: Comparison of S-REIT yields vs. AUM

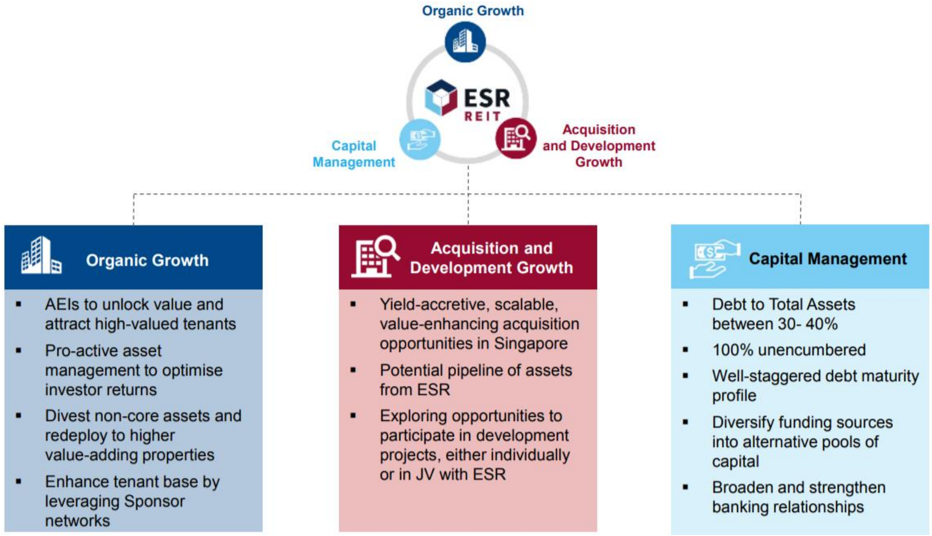


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Expectations going forward

During the merger, the REIT Manager set out a three-pronged strategy (organic growth, acquisition & development growth, capital management) to optimise unitholder returns while reducing risks. Using the three strategies as a guide, we expect the re-rating to occur based on the following analysis.

Figure 4: ESR REIT's long-term strategy



SOURCES: ESR REIT

Riding the industry wave up from the trough

The re-rating could also be supported by an industry-wide trend of tapering industrial property supply from 2019 onwards. Based on the latest industrial property statistics released by JTC Corporation, business parks will see the slowest increase in supply over the next few years, with new supply representing only 4.51% of existing stock. We expect that the moderating level of supply will allow the market to absorb the significant amount of space that came onstream in the past six years. The lower supply is expected to persist as the government has continued to trim the amount of industrial land put up for sale in the Industrial Government Land Sales ('IGLS') for the first half of 2019.

We expect this to be positive for EREIT, especially after taking in VIT's business parks. Post-merger, business parks will represent EREIT's largest segment, contributing 31.5% of FY18 rental income. We expect this segment to continue to grow in the following years as the full-year impact of the merger is recognised. According to the 3Q18 report by JTC, business parks represented the only segment of industrial space that has experienced an increase in the quarterly rental index in the past eight quarters.

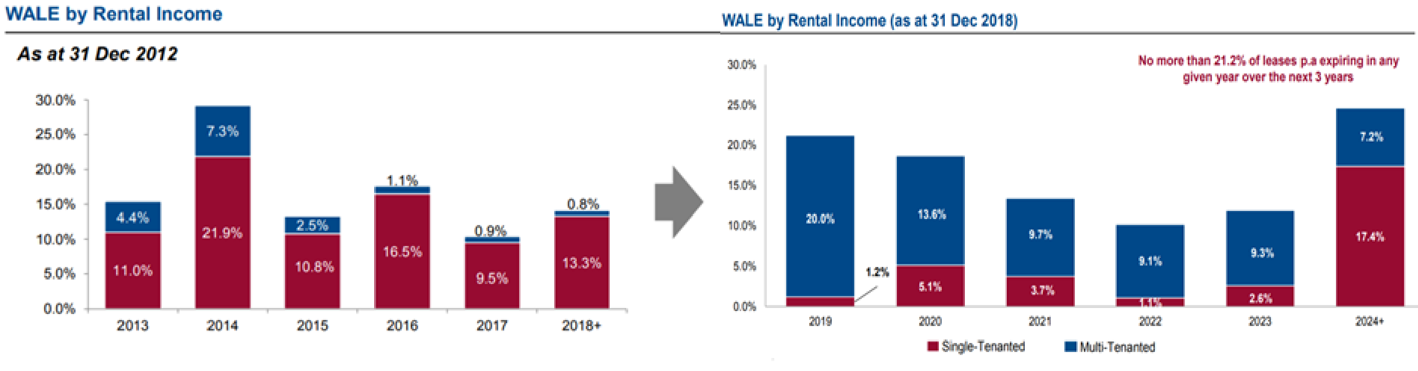
Figure 5: New supply as a proportion of current stock

Type	2019	2020	2021	2022	Total
Multi-User Factory	2.14%	6.24%	1.69%	2.74%	12.82%
Single-User Factory	2.87%	0.93%	0.89%	3.35%	8.04%
Business Park	0.79%	2.93%	0.00%	0.79%	4.51%
Warehouse	2.95%	1.47%	0.24%	1.27%	5.93%
Total	**2.63%**	**2.37%**	**0.89%**	**2.64%**	**8.53%**

SOURCES: JTC

On a more micro level, EREIT is nearing the end of its conversion strategy; EREIT started converting Single Tenant Buildings ('STB') into Multi-Tenanted Buildings ('MTB') in 2012. The higher proportion of MTBs would not only help to reduce the negative impact of tenant non-renewals but also provide flexibility for EREIT to capture rental upside in an increasingly stabilised market.

Figure 6: Change in proportion, by WALE, of multi-tenanted buildings since 2012



SOURCES: ESR-REIT

Possible AEIs

In line with one of its key strategies of organic growth, we expect EREIT to undertake AEIs to unlock value and attract high-valued tenants. With the merger, EREIT also gained VIT's Manager's expertise and track record in executing AEIs. This was evidenced by the successful completion of Viva Business Park's AEI in 2017. With the fourth largest portfolio (in terms of total asset size), EREIT would also have sufficient economies of scale to shift tenants around for AEIs to be carried out. Potential AEIs will also be supported by a lower cost of debt and a wider pool of potential tenants for the merged entity. The AEIs would be premised on two key aspects:

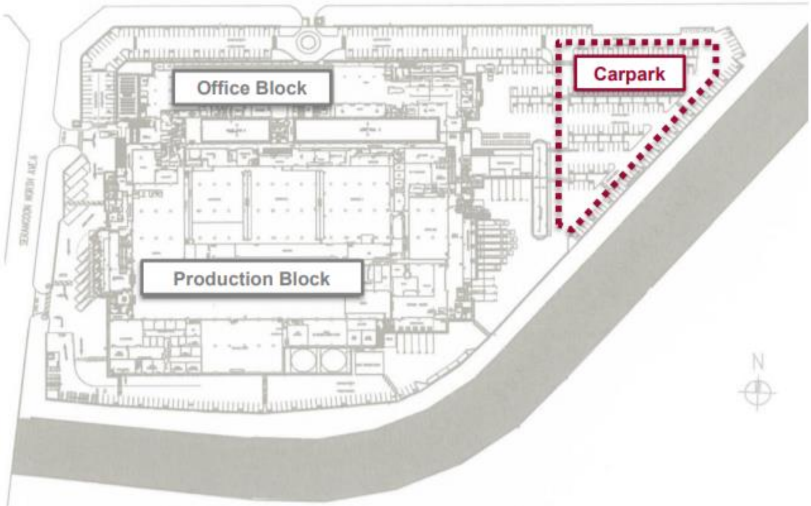
- **Unutilised Plot Ratios**: Plot ratios represent the intensity of land usage. The higher the plot ratio, the greater amount of floor area that can be built on the plot of land. A common feature that does not fully maximise plot ratios would be open-air car parks which older buildings tend to have. As smaller cities like Singapore are increasingly built up, planning authorities like the Urban Redevelopment Authority may increase the land use intensity, thereby increasing the allowable plot ratios of already built-up areas. Fully utilising the plot ratio allows landlords to either increase Net Lettable Area ('NLA') or provide better amenities to boost rental income.

- **Conversion to high specifications or change of use**: Older properties classified under General Industrial have the potential to be converted into higher specification buildings. A possible example would be transforming older buildings into ramp-up warehouses by adding ramps. Properties with unutilised white space components could also be identified to fully maximise the benefits of white space as both office and retail components tend to have higher rents than industrial space.

We have identified possible AEIs and evaluated the potential of such projects coming to fruition.

- **7000 Ang Mo Kio**: This property was acquired at end-2017 and has an unutilised plot ratio of 0.8 which translates into potential additional gross floor area of up to c.495,000 sqft. This existing car park space can be developed into an extension block with the potential to generate additional rental revenue and improve capital value. We expect this AEI to be a 'low-hanging fruit' for the REIT and could be undertaken once prospective tenants are found.

Figure 7: Schematic of unutilised plot at the car park of 7000 Ang Mo Kio

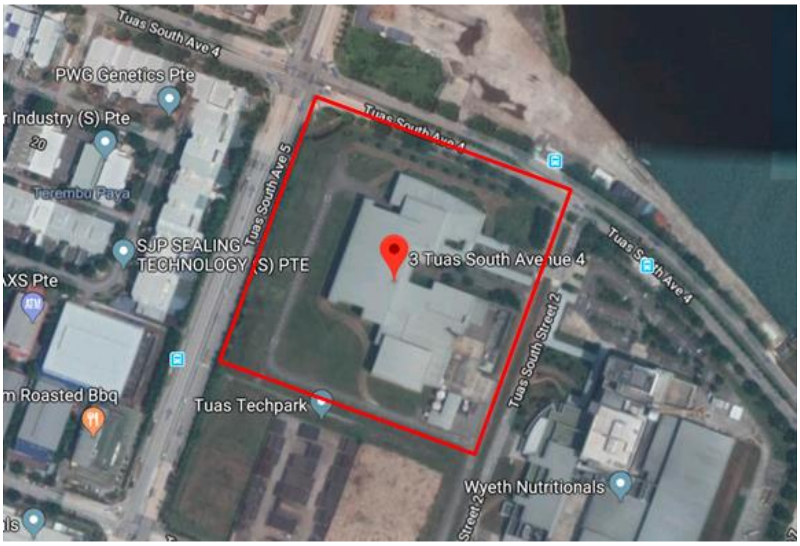


SOURCES: ESR-REIT

- **Jackson Square**: The 60-year land lease is expected to expire in May 2029, leaving about 10 years left. This property has the shortest remaining land lease in the portfolio. Key tenants include PSB Academy, Foxconn and MyRepublic. PSB Academy just opened its new STEM campus in May 2018 while MyRepublic's headquarters are located at the property. Management has already expressed the desire to extend the land lease of Jackson Square. We expect the REIT to undertake non-disruptive AEIs to retain its key tenants and strengthen its case for the extension of land lease with JTC. Given that land lease extension applications are evaluated around five years before expiration, we do not think that EREIT will undertake any AEIs until that five-year mark. According to the latest URA Master Plan released in 2014, the land is still zoned as a Business 1 site.

- **3 Tuas South Ave 4**: The property was acquired in Mar 13 and has a remaining land lease term of about 41 years. Currently, it is fully master leased to Strides Pharma Global and the Manager expects there to be c.500,000 sqft of untapped GFA in the open areas surrounding the building. Developing this unutilised area would more than double its current NLA of 315,522 sqft. This AEI is likely be done in consultation with the existing tenant regarding its leasing requirements. Given that it would add a significant amount of NLA, it is likely that other tenants would have to be found to fill the additional space.

Figure 8: Satellite view of land area of 3 Tuas South Ave 4



SOURCE: GOOGLE MAPS

- **16 Tai Seng St**: The property is currently zoned as Business 2 White and has a plot ratio of 3.5. Currently, less than 50,000 sqft of space is used as retail. However, up to

70,000 sqft of space, representing one-third of existing GFA, can be used as 'white' space. Assuming the space is used for retail purposes, we expect potential upside from the maximisation of this 'white' space as retail rents in the area are almost double that of industrial rents. Based on the disclosure made by Mapletree Industrial Trust in its acquisition of the adjacent 18 Tai Seng St, industrial rents averaged S$4.04 psf/mth while retail rents averaged S$7.64 psf/mth in Dec 18. We expect this AEI to be undertaken in the near term since it is a straightforward way to boost both property valuation and rental income.

Portfolio right-sizing to recharge growth engines

In FY18, EREIT divested 9 Bukit Batok St 22 for S$23.9m due to the limited redevelopment potential. This was slower compared to FY17 when three properties were divested (23 Woodlands Terrace, 87 Defu Lane and 55 Ubi Ave 3). We expect the pace of divestments to pick up in FY19 as the Manager continues to right-size the portfolio. Proceeds from the divestments are then expected to be recycled into future acquisitions.

After the completion of the merger, EREIT completed the acquisition of 15 Greenwich Drive. This is a four-storey multi-tenanted ramp-up facility located within Tampines LogisPark with a GFA of 455,396 sqft. The purchase price was S$95.8m which comprises the consideration of S$86.2m and the upfront land premium payable of S$9.6m. The acquisition, fully funded by debt, is 100% occupied and has c.23 years remaining on its land lease tenure. In line with its strategy to execute yield-accretive, scalable and value-enhancing acquisitions, the acquisition of 15 Greenwich Drive was 4.1% DPU accretive on a proforma basis.

Looking ahead, possible acquisition targets could come from the Sponsor's portfolio of properties. The Sponsor has a Pan-Asian pipeline of logistics assets on which EREIT has a 'first-look'. These logistics assets are located in China, South Korea, Japan, India and Australia. Excluding Australia, the Sponsor's pipeline has >10m sqm in operational assets and assets under development representing c.US$13bn in AUM. These assets represent a visible pathway for inorganic expansion apart from opportunistic acquisitions from other vendors. However, in the near term, we do not expect EREIT to undertake any overseas acquisitions until the integration with VIT has been successfully completed and the portfolio has been right-sized and stabilised. The REIT also has not provided a hard number for its AUM target so there is no pressure to make acquisitions.

Valuation and recommendation

We fully incorporate the actual impact of the merger and adjust our occupancy and rental reversion assumptions. Additionally, we have also updated our model to reflect an increased risk-free rate and borrowing cost assumptions. A staggered payout of divestment gains from 63 Hillview Ave amounting to c.S$9.5m annually has also been factored into the distribution income. With the revised assumptions, we arrive at a TP of S$0.62 and maintain our Add call. We have not factored in the effects of acquisitions, divestments or planned asset enhancements.

Figure 9: Earnings revisions

	New			Old			% chg		
	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F
Revenue (S$m)	264.8	267.4	270.0	268.9	272.3	274.6	-1.5%	-1.8%	-1.7%
NPI (S$m)	196.1	199.9	203.9	195.5	198.0	199.8	0.3%	1.0%	2.1%
Distribution to unitholders (S$m)	136.4	140.1	144.0	127.9	131.4	133.1	6.7%	6.7%	8.2%
DPU (Scts)	4.30	4.42	4.54	4.03	4.14	4.19	6.8%	6.8%	8.4%

SOURCE: CGS-CIMB RESEARCH

Figure 10: DDM valuation

Year	FY19F	FY20F	FY21F	2022F	2023F	Terminal value
Explicit DPU forecasts (Scts)	4.30	4.42	4.54	4.61	4.67	65.73
PV of terminal value (S$)	0.44		DDM assumptions			
PV of explicit DPU forecasts (S$)	0.18		LTG: 1.5%			
			COE: 8.4%			
Target price (S$)	**0.62**					

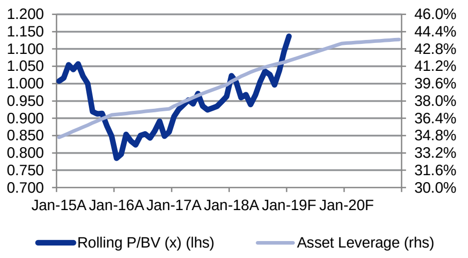
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

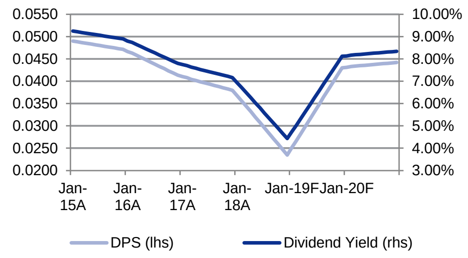
Figure 11: CIMB REIT/BT Overview

SREIT	Bloomberg Ticker	Price as at 15 Jan 19	Mkt Cap (US $m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Target Price (DDM-based)	Rec.	FY18F Yield	FY19F Yield	FY20F Yield
Hospitality											
Ascott Residence Trust	ART SP	$1.14	$1,822	36.4%	1.20	0.95	$1.13	H	5.9%	6.0%	6.1%
Ascendas Hospitality Trust	ASCHT SP	$0.77	$651	32.2%	0.92	0.84	NA	NR	7.6%	7.5%	7.7%
CDL Hospitality Trust	CDREIT SP	$1.54	$1,370	33.8%	1.49	1.03	$1.63	A	5.7%	6.0%	6.3%
Far East Hospitality Trust	FEHT SP	$0.63	$864	40.4%	0.87	0.72	$0.68	A	6.5%	6.9%	7.0%
Frasers Hospitality Trust	FHT SP	$0.69	$963	33.4%	0.77	0.90	NA	NR	7.2%	7.5%	7.7%
OUE Hospitality Trust	OUEHT SP	$0.69	$922	38.7%	0.76	0.90	$0.85	A	7.2%	7.5%	7.7%
	Simple Average			**35.8%**		**0.89**			**6.7%**	**6.9%**	**7.1%**
Industrial											
AIMS AMP	AAREIT SP	$1.39	$709	33.6%	1.37	1.01	NA	NR	7.4%	7.9%	7.9%
Ascendas REIT	AREIT SP	$2.73	$6,268	33.2%	2.06	1.33	$2.84	A	5.9%	6.1%	6.4%
Cache Logistics Trust	CACHE SP	$0.73	$578	35.6%	0.70	1.05	$0.78	H	8.1%	8.1%	8.3%
ESR-REIT	EREIT SP	$0.54	$1,264	30.3%	0.58	0.93	$0.62	A	6.6%	7.5%	7.7%
Frasers Logistics & Industrial Trust	FLT SP	$1.06	$1,582	36.3%	0.91	1.16	$1.19	A	6.4%	6.8%	6.8%
Keppel DC REIT	KDCREIT SP	$1.41	$1,407	32.0%	1.02	1.38	$1.51	A	5.6%	5.8%	6.0%
Mapletree Industrial Trust	MINT SP	$1.97	$2,762	35.1%	1.48	1.33	$2.08	A	6.0%	6.1%	6.4%
Mapletree Logistics Trust	MLT SP	$1.36	$3,604	38.1%	1.11	1.23	$1.42	A	5.6%	5.6%	5.8%
Sabana Shariah	SSREIT SP	$0.43	$338	37.0%	0.57	0.75	NA	NR	na	na	na
Soilbuild Business Space REIT	SBREIT SP	$0.66	$520	40.6%	0.64	1.03	NA	NR	7.7%	7.7%	7.7%
	Simple Average			**35.6%**		**1.29**			**6.7%**	**6.9%**	**7.2%**
Office											
CapitaLand Commercial Trust	CCT SP	$1.83	$5,058	35.3%	1.81	1.01	$1.89	A	4.8%	4.8%	4.9%
Frasers Commercial Trust	FCOT SP	$1.42	$939	28.3%	1.59	0.89	$1.50	H	6.8%	6.8%	6.8%
Keppel REIT	KREIT SP	$1.17	$2,931	39.1%	1.39	0.84	$1.34	A	4.9%	5.1%	5.3%
OUE Commercial REIT	OUECT SP	$0.48	$1,011	41.4%	0.70	0.69	$0.57	H	7.6%	7.2%	7.2%
Suntec REIT	SUN SP	$1.88	$3,706	36.8%	2.06	0.91	$2.06	A	5.3%	5.4%	5.4%
	Simple Average			**36.2%**		**0.87**			**5.9%**	**5.9%**	**5.9%**
Retail											
CapitaLand Mall Trust	CT SP	$2.33	$6,341	31.7%	2.00	1.17	$2.29	A	4.8%	5.0%	5.3%
Frasers Centrepoint Trust	FCT SP	$2.24	$1,534	28.6%	2.08	1.08	$2.35	A	5.4%	5.4%	5.5%
Mapletree Commercial Trust	MCT SP	$1.71	$2,472	34.8%	1.49	1.15	$1.67	A	5.3%	5.3%	5.4%
SPH REIT	SPHREIT SP	$1.02	$1,944	26.3%	0.95	1.07	$1.02	H	5.4%	5.6%	5.8%
Starhill Global REIT	SGREIT SP	$0.70	$1,127	35.4%	0.90	0.78	$0.74	A	6.3%	6.7%	7.0%
	Simple Average			**31.4%**		**1.05**			**5.4%**	**5.6%**	**5.8%**
Retail Ex-Sin											
CapitaLand Retail China Trust	CRCT SP	$1.59	$1,151	32.1%	1.66	0.96	NA	NR	6.5%	6.7%	6.9%
Lippo Malls Indonesia Retail Trust	LMRT SP	$0.21	$443	36.0%	0.30	0.70	$0.27	H	11.3%	11.3%	11.6%
Mapletree North Asia Commercial Trust	MAGIC SP	$1.18	$2,758	39.0%	1.33	0.89	$1.28	A	6.3%	6.5%	6.7%
	Simple Average			**35.7%**		**0.85**			**8.0%**	**8.2%**	**8.4%**
Healthcare											
First REIT	FIRT SP	$1.04	$605	34.9%	1.01	1.03	$1.36	A	8.5%	8.7%	8.8%
Parkway Life REIT	PREIT SP	$2.69	$1,201	37.7%	1.73	1.55	$3.05	H	4.6%	4.7%	4.8%
	Simple Average			**32.7%**		**1.15**			**6.5%**	**6.7%**	**6.8%**
	Simple average for SIN			**34.8%**		**1.01**			**6.5%**	**6.6%**	**6.8%**

SOURCES: CGS-CIMB, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS





Profit & Loss

(S$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Rental Revenues	109.7	156.9	264.8	267.4	270.0
Other Revenues					
Gross Property Revenue	**109.7**	**156.9**	**264.8**	**267.4**	**270.0**
Total Property Expenses	(31.3)	(44.9)	(68.8)	(67.5)	(66.1)
Net Property Income	**78.4**	**112.0**	**196.1**	**199.9**	**203.9**
General And Admin. Expenses					
Management Fees	(7.0)	(9.8)	(15.1)	(15.1)	(15.1)
Trustee's Fees					
Other Operating Expenses	(2.2)	(1.9)	(3.6)	(3.6)	(3.6)
EBITDA	**69.3**	**100.3**	**177.4**	**181.2**	**185.2**
Depreciation And Amortisation					
EBIT	**69.3**	**100.3**	**177.4**	**181.2**	**185.2**
Net Interest Income	(20.3)	(27.4)	(51.3)	(51.4)	(51.5)
Associates' Profit	0.0	0.0	0.0	0.0	0.0
Other Income/(Expenses)	0.2	(283.1)	0.0	0.0	0.0
Exceptional Items	(47.8)	(18.2)	0.0	0.0	0.0
Pre-tax Profit	**1.4**	**(228.3)**	**126.1**	**129.9**	**133.7**
Taxation	0.0	(0.1)	0.0	0.0	0.0
Minority Interests	(0.8)	(4.2)	(3.6)	(3.6)	(3.6)
Preferred Dividends	0.0	(6.9)	(6.9)	(6.9)	(6.9)
Net Profit	**0.6**	**(239.5)**	**115.6**	**119.4**	**123.2**
Distributable Profit	**50.4**	**74.5**	**136.4**	**140.1**	**144.0**

Cash Flow

(S$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Pre-tax Profit	**1.4**	**(228.3)**	**126.1**	**129.9**	**133.7**
Depreciation And Non-cash Adj.	20.1	310.5	51.3	51.4	51.5
Change In Working Capital	(0.3)	(31.1)	(7.2)	0.4	0.4
Tax Paid	0.0	(4.0)	0.0	0.0	0.0
Others	47.8	20.7	0.0	0.0	0.0
Cashflow From Operations	**69.0**	**67.8**	**170.2**	**181.6**	**185.6**
Capex	(9.8)	(5.3)	0.0	0.0	0.0
Net Investments And Sale Of FA	(294.1)	(144.1)	0.0	0.0	0.0
Other Investing Cashflow	0.1	0.0	0.1	0.1	0.1
Cash Flow From Investing	**(303.8)**	**(149.4)**	**0.1**	**0.1**	**0.1**
Debt Raised/(repaid)	159.5	43.8	80.0	5.0	0.0
Equity Raised/(Repaid)	(0.1)	140.8	0.0	0.0	0.0
Dividends Paid	(46.0)	(55.9)	(136.4)	(140.1)	(144.0)
Cash Interest And Others	129.5	(41.0)	(61.8)	(61.9)	(62.0)
Cash Flow From Financing	**242.8**	**87.6**	**(118.1)**	**(197.0)**	**(206.0)**
Total Cash Generated	8.1	6.1	52.1	(15.3)	(20.3)
Free Cashflow To Firm	(234.7)	(81.5)	170.4	181.8	185.8
Free Cashflow To Equity	(94.6)	(68.6)	199.0	135.3	134.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(S$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Investments	1,652	3,016	3,016	3,016	3,016
Intangible Assets	0	0	0	0	0
Other Long-term Assets	0	0	0	0	0
Total Non-current Assets	1,652	3,016	3,016	3,016	3,016
Total Cash And Equivalents	12	18	70	54	34
Inventories					
Trade Debtors	8	11	22	22	22
Other Current Assets	24	6	6	6	6
Total Current Assets	**44**	**35**	**97**	**82**	**62**
Trade Creditors	29	58	62	62	63
Short-term Debt	155	282	282	282	282
Other Current Liabilities	61	61	61	61	61
Total Current Liabilities	**244**	**401**	**405**	**405**	**406**
Long-term Borrowings	515	986	1,066	1,071	1,071
Other Long-term Liabilities	7	32	32	32	32
Total Non-current Liabilities	522	1,019	1,099	1,104	1,104
Shareholders' Equity	779	1,480	1,459	1,438	1,417
Minority Interests					
Preferred Shareholders Funds	151	151	151	151	151
Total Equity	**930**	**1,631**	**1,610**	**1,589**	**1,568**

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Property Revenue Growth	(2.1%)	43.0%	68.8%	1.0%	1.0%
NPI Growth	(4.7%)	42.8%	75.0%	2.0%	2.0%
Net Property Income Margin	71.5%	71.4%	74.0%	74.8%	75.5%
DPS Growth	(8.1%)	(38.1%)	83.1%	2.8%	2.8%
Gross Interest Cover	3.39	3.66	3.45	3.52	3.59
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	8207%	NA	118%	117%	117%
Current Ratio	0.18	0.09	0.24	0.20	0.15
Quick Ratio	0.18	0.09	0.24	0.20	0.15
Cash Ratio	0.05	0.04	0.17	0.13	0.08
Return On Average Assets	0.0%	(10.1%)	3.8%	3.8%	4.0%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Rental Rate Psf Pm (S$)	1.6	1.9	2.2	2.2	2.2
Acq. (less development) (US$m)	N/A	N/A	N/A	N/A	N/A
RevPAR (S$)	N/A	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	12,384	12,369	15,513	15,513	15,513
Occupancy (%)	93.0%	92.3%	94.9%	94.0%	94.0%
Assets Under Management (m) (S$)	1,652.2	3,016.2	3,016.2	3,016.2	3,016.2
Funds Under Management (m) (S$)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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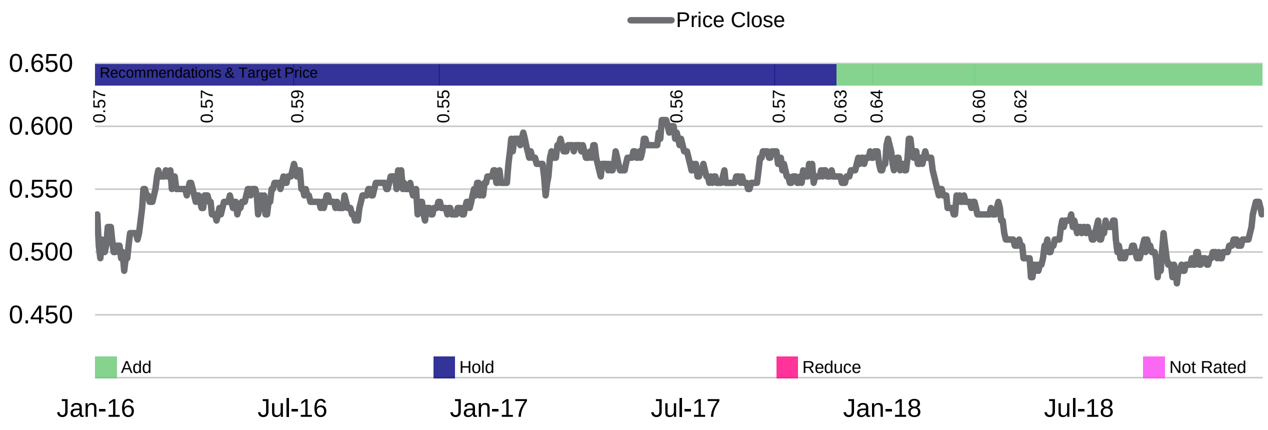
Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018 758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)

ESR-REIT (EREIT SP)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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