

Singapore

ADD (no change)

Consensus ratings*: Buy 15 Hold 7 Sell 1

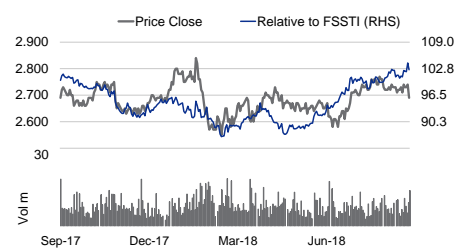
Current price:	S\$2.69
Target price:	S\$2.89
Previous target:	S\$2.89
Up/downside:	7.3%
CGS-CIMB / Consensus:	1.7%

Reuters:	AEMN.SI
Bloomberg:	AREIT SP
Market cap:	US\$5,731m
	S\$7,883m
Average daily turnover:	US\$14.84m
	S\$20.21m
Current shares o/s:	2,929m
Free float:	79.6%

*Source: Bloomberg

Key changes in this note

➤ No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.8	0.7	0.7
Relative (%)	2.4	9.9	3.3

Major shareholders	% held
Ascendas	20.3
Mondrian Investment Partners	7.5
Blackrock	5.9

Ascendas REIT

Private placement to fund inorganic growth

- AREIT has announced a private placement to raise S\$452m to part-fund a new acquisition in UK and development project in Singapore, as well as to pare down debt.
- Portfolio size is expected to increase to S\$11.4bn post transactions.
- Gearing would be slightly higher at 37.7% after acquisitions and placement exercise.
- We maintain our Add call and DDM-based TP of S\$2.89, pending more details.

Private placement to fund proposed new acquisitions

AREIT has announced a private placement of 178m new units at S\$2.54 apiece, to raise S\$452.1m proceeds to part-fund the proposed purchase of a second UK logistics portfolio (c.S\$250m), the proposed development of a new built to suit (BTS) property in Singapore (S\$109m), as well as to pare down debt (S\$87.1m). The price of S\$2.54 is at a 6.1% discount to the VWAP of 6 Sep.

AUM to grow to S\$11.4bn post transactions

No details of both transactions have been shared as yet. However, we note that the post-transaction AUM is expected to expand to S\$11.4bn from S\$10.8bn (after the recent UK acquisition and Singapore divestment), implying S\$639m worth of asset purchases. Post placement and acquisitions, AREIT's gearing would be slightly higher at 37.7% compared to the end-Jun 18 level of 35.7%.

Strengthening positioning in UK, growing Singapore exposure

AREIT indicated that the high quality of the properties in the second logistics portfolio would further strengthen the REIT's positioning and platform in the UK as well as enlarge its tenant base with additional quality tenants. We expect the Singapore BTS development opportunity to also enable AREIT to grow its Singapore presence at a higher-than-market yield.

Maintain Add

We leave our estimates unchanged for now, pending more details on the acquisitions. In terms of sensitivity, assuming a 5-6% acquisition/development yield and based on asset value of S\$639m, we reckon our DDM-based TP would remain relatively flat after adjusting for the private placement units. Hence, we maintain our current FY19-21F DPU estimates and TP of S\$2.89 for now. We continue to like AREIT for its size and stability. Re-rating catalysts could come from more inorganic growth potential, while slower-than-expected rental recovery is a key downside risk.

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Financial Summary

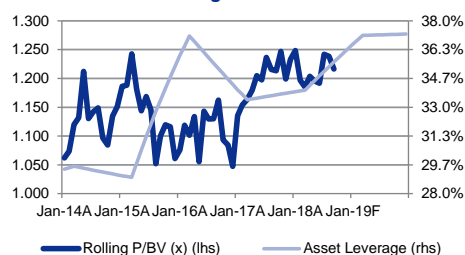
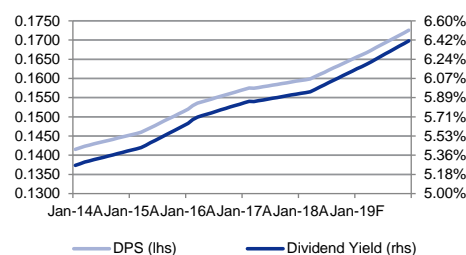
	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Gross Property Revenue (S\$m)	761.0	830.6	862.1	901.4	933.3
Net Property Income (S\$m)	533.7	611.0	629.4	668.1	701.8
Net Profit (S\$m)	370.9	452.4	486.8	457.1	482.4
Distributable Profit (S\$m)	378.3	446.3	468.0	489.0	514.5
Core EPS (S\$)	0.15	0.17	0.16	0.16	0.16
Core EPS Growth	14.1%	16.9%	(6.3%)	(3.6%)	5.2%
FD Core P/E (x)	18.22	15.59	16.63	17.26	16.40
DPS (S\$)	0.15	0.16	0.16	0.17	0.17
Dividend Yield	5.71%	5.85%	5.94%	6.20%	6.50%
Asset Leverage	37.1%	33.4%	34.0%	37.2%	37.3%
BVPS (S\$)	2.17	2.17	2.22	2.20	2.19
P/BV (x)	1.24	1.24	1.21	1.22	1.23
Recurring ROE	6.93%	7.96%	7.38%	7.05%	7.47%
CIMB/consensus DPS (x)				1.00	1.03

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: SREITs' peer comparison table

SREIT	Bloomberg Ticker	Price as at 06 Sep 18	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	\$1.09	\$1,713	36.1%	1.22	0.89	\$1.16	H	6.3%	6.6%	6.7%
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	\$1.56	\$1,366	33.2%	1.51	1.04	\$1.78	A	6.3%	6.8%	7.1%
Far East Hospitality Trust	FEHT SP	\$0.65	\$876	40.3%	0.87	0.91	\$0.79	A	6.6%	7.1%	7.5%
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	\$0.75	\$986	38.7%	0.76	0.98	\$0.89	A	6.9%	7.3%	7.5%
Simple Average				35.7%		0.93			6.8%	7.1%	7.4%
Industrial											
AIMS AMP	AAREIT SP	\$1.39	\$709	33.1%	1.53	0.91	NA	NR	7.4%	7.9%	7.9%
Ascendas REIT	AREIT SP	\$2.69	\$5,731	35.7%	2.03	1.33	\$2.89	A	5.9%	6.2%	6.5%
Cache Logistics Trust	CACHE SP	\$0.74	\$573	35.3%	0.70	1.05	\$0.78	H	8.1%	8.1%	8.2%
ESR-REIT	EREIT SP	\$0.50	\$570	30.0%	0.58	0.85	\$0.62	A	7.2%	8.1%	8.4%
Frasers Logistics & Industrial Trust	FLT SP	\$1.08	\$1,576	36.3%	0.91	0.92	\$1.24	A	6.4%	6.7%	6.8%
Keppel DC REIT	KDCREIT SP	\$1.36	\$1,336	31.7%	1.01	1.35	\$1.49	A	5.8%	6.0%	6.2%
Mapletree Industrial Trust	MINT SP	\$2.01	\$2,757	35.0%	1.48	1.36	\$2.13	A	5.8%	6.1%	6.3%
Mapletree Logistics Trust	MLT SP	\$1.26	\$2,980	36.4%	1.12	1.13	\$1.39	A	6.0%	6.2%	6.4%
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%
Viva Industrial Trust	VIT SP	\$0.88	\$636	39.8%	0.77	1.14	NA	NR	7.9%	7.7%	8.6%
Simple Average				35.5%		1.27			6.8%	7.1%	7.3%
Office											
CapitaLand Commercial Trust	CCT SP	\$1.75	\$4,763	37.9%	1.80	0.97	\$1.90	A	5.1%	5.1%	5.1%
Frasers Commercial Trust	FCOT SP	\$1.40	\$904	26.5%	1.70	0.82	\$1.50	H	7.1%	6.8%	6.9%
Keppel REIT	KREIT SP	\$1.18	\$2,923	38.6%	1.40	0.84	\$1.34	A	4.9%	5.1%	5.5%
OUE Commercial REIT	OUECT SP	\$0.68	\$760	40.3%	0.92	0.73	\$0.75	H	6.6%	6.6%	6.5%
Suntec REIT	SUN SP	\$1.87	\$3,626	37.9%	2.08	0.90	\$2.08	A	5.3%	5.4%	5.5%
Simple Average				36.2%		0.85			5.8%	5.8%	5.9%
Retail											
CapitaLand Mall Trust	CT SP	\$2.12	\$5,470	31.5%	1.99	1.07	\$2.21	H	5.3%	5.3%	6.0%
Frasers Centrepoint Trust	FCT SP	\$2.27	\$1,529	29.2%	2.03	1.12	\$2.49	A	5.5%	5.6%	5.8%
Mapletree Commercial Trust	MCT SP	\$1.62	\$2,472	34.5%	1.49	1.09	\$1.75	A	5.6%	5.6%	5.6%
SPH REIT	SPHREIT SP	\$1.00	\$1,860	25.4%	0.94	1.06	\$1.07	H	5.6%	5.8%	5.9%
Starhill Global REIT	SGREIT SP	\$0.70	\$1,102	35.5%	0.90	0.77	\$0.69	H	6.4%	6.8%	6.9%
Simple Average				31.2%		1.02			5.7%	5.8%	6.0%
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	\$0.27	\$560	36.0%	0.30	0.90	\$0.33	H	9.8%	9.8%	10.0%
Mapletree North Asia Commercial Trust	MAGIC SP	\$1.16	\$2,664	38.8%	1.32	0.88	\$1.30	A	6.4%	6.6%	6.9%
Simple Average				35.6%		0.91			7.6%	7.7%	7.9%
Healthcare											
First REIT	FIRT SP	\$1.28	\$732	34.2%	1.01	1.27	\$1.41	H	6.9%	7.1%	7.2%
Parkway Life REIT	PREIT SP	\$2.73	\$1,201	38.1%	1.72	1.59	\$3.05	H	4.5%	4.6%	4.7%
RHT Health Trust	RHT SP	\$0.76	\$445	25.4%	0.82	0.92	\$0.81	H	6.0%	6.8%	7.8%
Simple Average				32.6%		1.26			5.8%	6.2%	6.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs Asset Leverage

Dividend Yield vs Net DPS

Profit & Loss

(\$m)	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Rental Revenues	761.0	830.6	862.1	901.4	933.3
Other Revenues	0.0	0.0	0.0	0.0	0.0
Gross Property Revenue	761.0	830.6	862.1	901.4	933.3
Total Property Expenses	(227.3)	(219.6)	(232.7)	(233.3)	(231.5)
Net Property Income	533.7	611.0	629.4	668.1	701.8
General And Admin. Expenses	0.0	0.0	0.0	0.0	0.0
Management Fees	(43.0)	(48.4)	(50.7)	(51.5)	(52.5)
Trustee's Fees	(7.0)	(10.4)	(7.7)	(8.0)	(8.0)
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0
EBITDA	483.7	552.1	571.0	608.6	641.4
Depreciation And Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	483.7	552.1	571.0	608.6	641.4
Net Interest Income	(77.5)	(110.6)	(100.8)	(116.8)	(122.9)
Associates' Profit	0.0	0.5	0.5	0.0	0.0
Other Income/(Expenses)	0.0	21.4	5.3	0.0	0.0
Exceptional Items	(3.6)	(30.0)	13.6	0.0	0.0
Pre-tax Profit	402.7	433.4	489.6	491.8	518.5
Taxation	(25.1)	19.0	(2.8)	(20.5)	(21.8)
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	(6.6)	0.0	0.0	(14.3)	(14.3)
Net Profit	370.9	452.4	486.8	457.1	482.4
Distributable Profit	378.3	446.3	468.0	489.0	514.5

Cash Flow

(\$m)	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Pre-tax Profit	403	433	490	492	519
Depreciation And Non-cash Adj.	77	89	95	117	123
Change In Working Capital	11	(24)	(18)	0	0
Tax Paid	(4)	(7)	(25)	(20)	(22)
Others	(5)	38	(3)	(12)	(12)
Cashflow From Operations	482	529	539	576	607
Capex	(158)	(128)	(133)	0	0
Net Investments And Sale Of FA	(700)	(29)	(146)	(349)	0
Other Investing Cashflow	(635)	20	3	10	10
Cash Flow From Investing	(1,492)	(138)	(275)	(339)	10
Debt Raised/(repaid)	920	50	121	399	40
Equity Raised/(Repaid)	342	152	0	0	0
Dividends Paid	(442)	(501)	(295)	(489)	(515)
Cash Interest And Others	207	(128)	(134)	(141)	(147)
Cash Flow From Financing	1,027	(426)	(308)	(231)	(622)
Total Cash Generated	16	(35)	(44)	6	(4)
Free Cashflow To Firm	(1,011)	392	264	237	617
Free Cashflow To Equity	(177)	331	266	509	525

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(\$m)	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Total Investments	9,599	9,874	10,119	10,468	10,468
Intangible Assets	0	0	0	0	0
Other Long-term Assets	90	197	158	306	280
Total Non-current Assets	9,689	10,071	10,277	10,774	10,748
Total Cash And Equivalents	56	22	25	31	27
Inventories	0	0	0	0	0
Trade Debtors	89	63	28	28	28
Other Current Assets	36	14	24	3	3
Total Current Assets	181	100	77	63	58
Trade Creditors	172	193	144	144	144
Short-term Debt	1,180	824	910	910	910
Other Current Liabilities	44	105	50	50	50
Total Current Liabilities	1,396	1,122	1,104	1,104	1,104
Long-term Borrowings	2,484	2,576	2,609	3,117	3,117
Other Long-term Liabilities	205	138	142	142	142
Total Non-current Liabilities	2,689	2,714	2,752	3,259	3,259
Shareholders' Equity	5,785	6,335	6,499	6,474	6,444
Minority Interests	0	0	0	0	0
Preferred Shareholders Funds					
Total Equity	5,785	6,335	6,499	6,474	6,444

Key Ratios

	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Gross Property Revenue Growth	13.0%	9.1%	3.8%	4.6%	3.5%
NPI Growth	15.3%	14.5%	3.0%	6.1%	5.0%
Net Property Income Margin	70.1%	73.6%	73.0%	74.1%	75.2%
DPS Growth	5.21%	2.51%	1.56%	4.29%	4.92%
Gross Interest Cover	5.17	4.70	5.20	4.80	4.83
Effective Tax Rate	6.24%	0.00%	0.58%	4.17%	4.21%
Net Dividend Payout Ratio	102%	99%	96%	107%	107%
Current Ratio	0.13	0.09	0.07	0.06	0.05
Quick Ratio	0.13	0.09	0.07	0.06	0.05
Cash Ratio	0.040	0.020	0.023	0.028	0.024
Return On Average Assets	4.11%	4.51%	4.74%	4.31%	4.46%

Key Drivers

	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Rental Rate Psf Pm (\$\$)	2.4	2.2	2.2	2.3	2.3
Acq. (less development) (US\$m)	N/A	N/A	N/A	N/A	N/A
RevPAR (\$\$)	N/A	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	N/A	N/A	N/A	N/A	N/A
Occupancy (%)	91.1%	92.9%	92.9%	92.9%	92.9%
Assets Under Management (m) (\$\$)	9,598.7	9,999.3	10,214.4	10,711.2	10,685.2
Funds Under Management (m) (\$\$)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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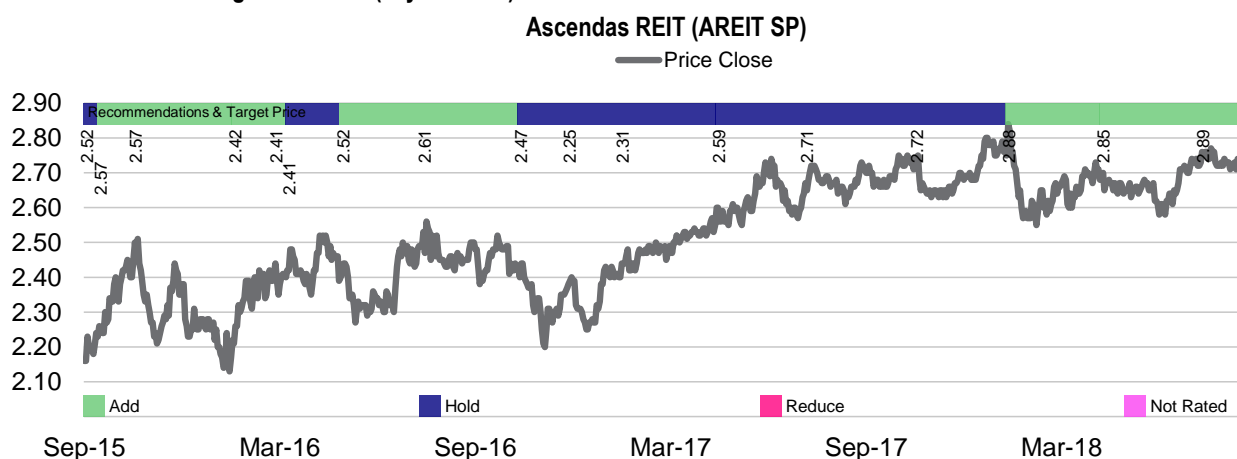
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1203 companies under coverage for quarter ended on 30 June 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	62.3%	4.5%
Hold	26.2%	2.5%
Reduce	9.3%	0.8%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** – Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** – Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified,

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- Companies certified by CAC

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.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
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