

Singapore

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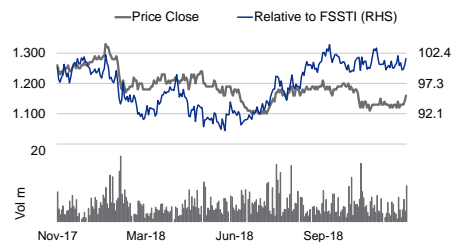
Consensus ratings*: Buy 9 Hold 6 Sell 4

Current price:	S\$1.16
Target price:	S\$1.34
Previous target:	S\$1.34
Up/downside:	15.7%
CGS-CIMB / Consensus:	9.8%
Reuters:	KASA.SI
Bloomberg:	KREIT SP
Market cap:	US\$2,885m
	S\$3,953m
Average daily turnover:	US\$3.76m
	S\$5.18m
Current shares o/s	3,407m
Free float:	55.1%

*Source: Bloomberg

Key financial forecasts

	Dec-18F	Dec-19F	Dec-20F
Net Profit (S\$m)	136.2	142.8	155.8
Core EPS (S\$)	0.040	0.041	0.045
Core EPS Growth	(2.28%)	3.67%	9.10%
FD Core P/E (x)	29.03	28.01	25.67
NorEPSAdCo			
EPSgrNorm			
Recurring ROE	2.86%	2.99%	3.26%
P/BV (x)	0.84	0.84	0.84
DPS (S\$)	0.058	0.059	0.062
Dividend Yield	4.96%	5.11%	5.37%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.7	-1.7	-7.2
Relative (%)	-1.6	2.5	2.4

Major shareholders	% held
Keppel Land	44.9

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Keppel REIT

Partially unlocking value in OFC

- KREIT is selling a 20% stake in OFC for S\$537.3m.
- Sale to lift book NAV; use of proceeds includes paring down debt.
- Maintain Add with TP of S\$1.34.

Selling 20% stake in OFC

- KREIT has announced it is selling a 20% stake in Ocean Financial Centre (OFC) to Allianz Real Estate for S\$537.3m. Post sale, KREIT will retain a 79.9% stake. OFC is a premium Grade A office building located at Raffles Place with 877,635 sq ft of net lettable area. The sale is expected to complete in Dec 18.

Above-valuation transaction boosts book NAV

- The sale price of S\$537.3m (for 20% stake) is 2.3% above the independent valuation of S\$525.3m and 16.8% above its acquisition price of S\$460.2m. On a psf basis, the deal works out to be c.S\$3,061psf and translates into a stabilised historical annualised FY18 NPI yield of c.3.1%. Post sale, KREIT's proforma book NAV could be lifted by c.1.4%. In addition to partially unlocking value in its asset, we think the transaction will focus investor attention on the robustness of its underlying NAV.

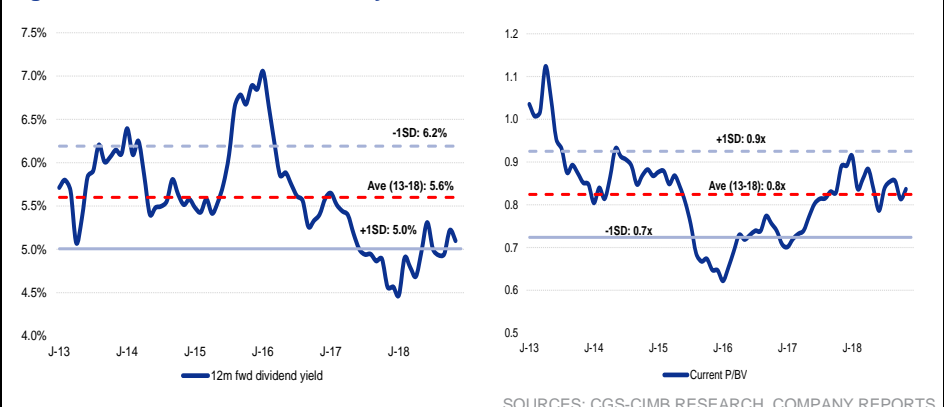
To recognise a one-off S\$6.9m gain; gearing to be pared down

- KREIT will recognise an accounting gain of S\$11.9m and a net-of-transaction-cost gain of S\$6.9m from the sale. Proceeds from the sale will enhance KREIT's financial flexibility, including helping it to pare down debt. Depending on the final amount of debt repaid, management indicated that gearing could be reduced by 3.2% pts compared to the 39.1% as at 3Q18. After the sale, the income vacuum (net of interest savings) could lower proforma DPU by 2.6%.

Maintain Add

- We see this deal as a mild positive for KREIT. We leave our earnings and DDM-based TP of S\$1.34 unchanged for now and maintain our Add rating. Upside risks include a faster-than-expected office rental recovery while downside risks include a slowdown in economic activity, which could impact appetite for office space.

Figure 1: KREIT forward dividend yield and P/BV



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: SREIT peer comparison table

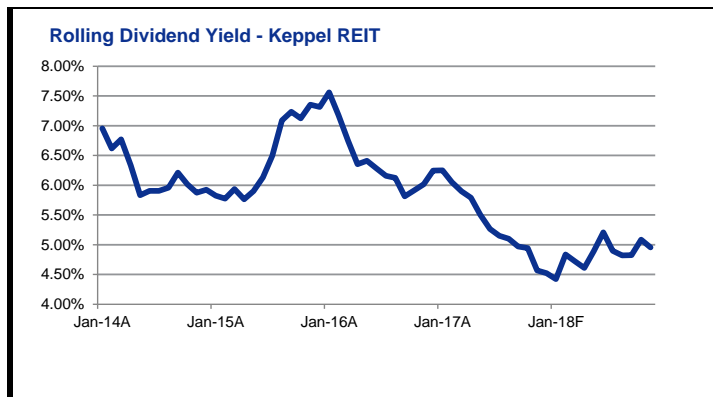
SREIT	Bloomberg Ticker	Price as at 29 Nov 18	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Target Price (DDM-based)	Rec.	FY18F Yield	FY19F Yield	FY20F Yield
Hospitality											
Ascott Residence Trust	ART SP	\$1.09	\$1,722	36.4%	1.20	0.91	\$1.12	H	6.1%	6.3%	6.4%
Ascendas 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	\$1.49	\$1,311	33.8%	1.49	1.00	\$1.63	A	5.9%	6.2%	6.5%
Far East Hospitality Trust	FEHT SP	\$0.61	\$833	40.4%	0.87	0.70	\$0.69	A	6.7%	7.0%	7.2%
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	\$918	38.7%	0.76	0.91	\$0.82	A	7.2%	7.4%	7.7%
Simple Average				35.8%		0.88			6.8%	7.0%	7.2%
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	\$2.59	\$5,876	33.2%	2.06	1.26	\$2.84	A	6.2%	6.4%	6.7%
Cache Logistics Trust	CACHE SP	\$0.71	\$552	35.6%	0.70	1.01	\$0.78	H	8.4%	8.4%	8.6%
ESR-REIT	EREIT SP	\$0.50	\$1,145	30.3%	0.58	0.85	\$0.62	A	7.2%	8.1%	8.4%
Frasers Logistics & Industrial Trust	FLT SP	\$1.05	\$1,544	36.3%	0.91	1.15	\$1.19	A	6.6%	7.0%	7.1%
Keppel DC REIT	KDCREIT SP	\$1.36	\$1,342	32.0%	1.02	1.33	\$1.51	A	5.8%	6.1%	6.2%
Mapletree Industrial Trust	MINT SP	\$1.88	\$2,589	35.1%	1.48	1.27	\$2.08	A	6.3%	6.4%	6.7%
Mapletree Logistics Trust	MLT SP	\$1.26	\$3,299	38.1%	1.11	1.14	\$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%
Simple Average				35.6%		1.22			7.0%	7.2%	7.4%
Office											
CapitaLand Commercial Trust	CCT SP	\$1.76	\$4,810	35.3%	1.81	0.97	\$1.89	A	5.0%	5.0%	5.1%
Frasers Commercial Trust	FCOT SP	\$1.39	\$905	28.3%	1.59	0.87	\$1.50	H	6.9%	6.9%	6.9%
Keppel REIT	KREIT SP	\$1.16	\$2,885	39.1%	1.39	0.83	\$1.34	A	5.0%	5.1%	5.4%
OUE Commercial REIT	OUECT SP	\$0.47	\$979	41.4%	0.70	0.67	\$0.57	H	7.8%	7.3%	7.3%
Suntec REIT	SUN SP	\$1.80	\$3,508	36.8%	2.06	0.87	\$2.06	A	5.6%	5.6%	5.7%
Simple Average				36.2%		0.85			6.0%	6.0%	6.1%
Retail											
CapitaLand Mall Trust	CT SP	\$2.26	\$6,081	31.7%	2.00	1.13	\$2.29	A	4.9%	5.2%	5.5%
Frasers Centrepoint Trust	FCT SP	\$2.17	\$1,469	28.6%	2.08	1.04	\$2.35	A	5.5%	5.6%	5.7%
Mapletree Commercial Trust	MCT SP	\$1.66	\$2,472	34.8%	1.49	1.11	\$1.67	A	5.4%	5.5%	5.6%
SPH REIT	SPHREIT SP	\$1.00	\$1,885	26.3%	0.95	1.05	\$1.01	H	5.5%	5.7%	5.8%
Starhill Global REIT	SGREIT SP	\$0.67	\$1,059	35.4%	0.90	0.74	\$0.74	A	6.6%	7.0%	7.3%
Simple Average				31.4%		1.02			5.6%	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	\$0.20	\$411	36.0%	0.30	0.66	\$0.27	H	12.0%	12.1%	12.4%
Mapletree North Asia Commercial Trust	MAGIC SP	\$1.14	\$2,634	39.0%	1.33	0.86	\$1.28	A	6.5%	6.7%	7.0%
Simple Average				35.7%		0.83			8.3%	8.5%	8.8%
Healthcare											
First REIT	FIRT SP	\$1.02	\$587	34.9%	1.01	1.01	\$1.36	A	8.6%	8.9%	9.0%
Parkway Life REIT	PREIT SP	\$2.69	\$1,188	37.7%	1.73	1.55	\$3.05	H	4.6%	4.7%	4.8%
RHT Health Trust	RHT SP	\$0.75	\$444	25.4%	0.82	0.92	\$0.81	H	6.0%	6.8%	7.8%
Simple Average				32.7%		1.16			6.4%	6.8%	7.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(\$m)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Rental Revenues	164.5	168.6	179.1	200.3
Other Revenues	0.0	0.0	0.0	0.0
Gross Property Revenue	164.5	168.6	179.1	200.3
Total Property Expenses	(33.3)	(32.8)	(35.0)	(39.9)
Net Property Income	131.2	135.8	144.1	160.4
General And Admin. Expenses	0.0	0.0	0.0	0.0
Management Fees	(51.0)	(53.5)	(54.6)	(58.4)
Trustee's Fees	(5.5)	(6.0)	(6.1)	(6.3)
Other Operating Expenses	0.0	0.0	0.0	0.0
EBITDA	74.7	76.2	83.4	95.7
Depreciation And Amortisation	(11.8)	(8.6)	0.0	0.0
EBIT	62.9	67.6	83.4	95.7
Net Interest Income	(42.3)	(42.5)	(44.9)	(51.2)
Associates' Profit	115.8	104.8	106.6	113.6
Other Income/(Expenses)	12.8	8.6	0.0	0.0
Exceptional Items	51.7	0.0	0.0	0.0
Pre-tax Profit	201.0	138.5	145.1	158.1
Taxation	(17.2)	(2.3)	(2.3)	(2.4)
Minority Interests	(0.1)	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
Net Profit	183.7	136.2	142.8	155.8
Distributable Profit	190.7	198.4	204.4	214.6

Cash Flow				
(\$m)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Pre-tax Profit	201.0	138.5	145.1	158.1
Depreciation And Non-cash Adj.	(61.7)	(53.6)	(61.7)	(62.4)
Change In Working Capital	1.0	40.6	6.1	12.2
Tax Paid	(6.7)	(2.3)	(2.3)	(2.4)
Others	(13.7)	53.5	54.6	58.4
Cashflow From Operations	120.0	176.7	141.7	163.9
Capex	(14.4)	0.0	0.0	0.0
Net Investments And Sale Of FA	(144.1)	(36.2)	(72.5)	(253.7)
Other Investing Cashflow	155.9	39.1	138.8	139.4
Cash Flow From Investing	(2.6)	2.9	66.3	(114.3)
Debt Raised/(repaid)	46.9	36.2	72.5	253.7
Equity Raised/(Repaid)	0.0	0.0	0.0	0.0
Dividends Paid	(156.9)	(198.4)	(204.4)	(214.6)
Cash Interest And Others	(71.3)	(69.4)	(62.6)	(69.0)
Cash Flow From Financing	(181.4)	(231.5)	(194.5)	(30.0)
Total Cash Generated	(64.0)	(52.0)	13.5	19.7
Free Cashflow To Firm	117.4	179.5	208.0	49.6
Free Cashflow To Equity	101.8	150.5	213.4	229.8



Balance Sheet				
(\$m)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Investments	7,381	7,517	7,590	7,843
Intangible Assets	11	11	11	11
Other Long-term Assets	4	4	4	4
Total Non-current Assets	7,396	7,532	7,605	7,858
Total Cash And Equivalents	198	146	160	179
Inventories	0	0	0	0
Trade Debtors	9	9	9	9
Other Current Assets	2	2	2	2
Total Current Assets	208	156	170	190
Trade Creditors	56	97	103	115
Short-term Debt	425	425	425	425
Other Current Liabilities	11	11	11	11
Total Current Liabilities	493	533	540	552
Long-term Borrowings	2,097	2,133	2,206	2,460
Other Long-term Liabilities	99	99	99	99
Total Non-current Liabilities	2,196	2,232	2,305	2,559
Shareholders' Equity	4,763	4,771	4,778	4,786
Minority Interests	2	2	2	2
Preferred Shareholders Funds	150	150	150	150
Total Equity	4,915	4,923	4,930	4,938

Key Ratios				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Gross Property Revenue Growth	2.0%	2.5%	6.3%	11.8%
NPI Growth	2.2%	3.5%	6.1%	11.3%
Net Property Income Margin	79.7%	80.6%	80.4%	80.1%
DPS Growth	(10.5%)	1.0%	3.0%	5.0%
Gross Interest Cover	0.96	1.04	1.24	1.30
Effective Tax Rate	8.54%	1.66%	1.61%	1.50%
Net Dividend Payout Ratio	104%	146%	143%	138%
Current Ratio	0.42	0.29	0.31	0.34
Quick Ratio	0.42	0.29	0.31	0.34
Cash Ratio	0.40	0.27	0.30	0.33
Return On Average Assets	2.43%	1.78%	1.85%	1.97%

Key Drivers				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Rental Rate Psf Pm (S\$)	8.7	8.9	9.2	9.5
Acq. (less development) (US\$m)	N/A	N/A	N/A	N/A
RevPAR (S\$)	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	3,342	3,342	3,342	3,342
Occupancy (%)	98.9%	98.9%	98.9%	98.9%
Assets Under Management (m) (S\$)	N/A	N/A	N/A	N/A
Funds Under Management (m) (S\$)	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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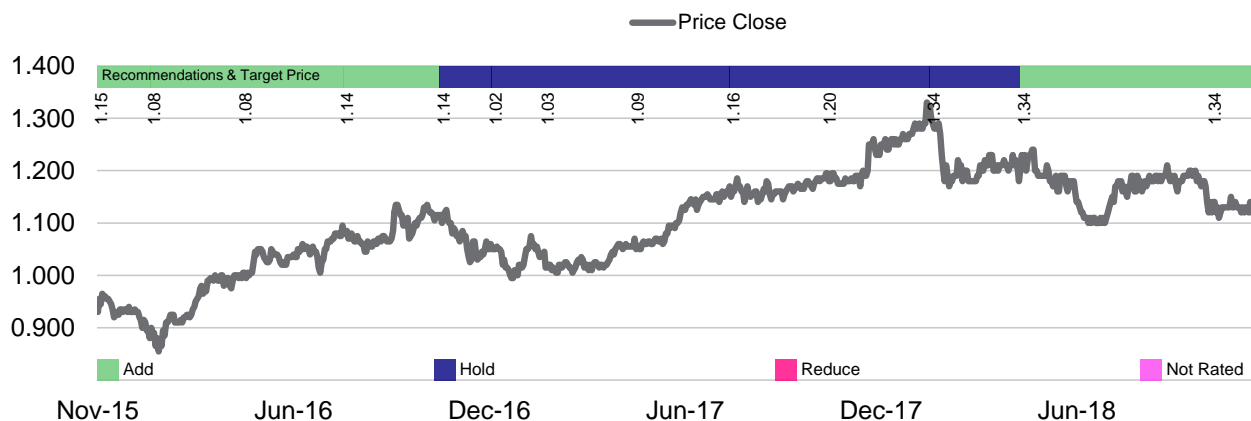
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759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)

Keppel REIT (KREIT SP)



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, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** – Excellent, Declared, **SIM** – Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Good, n/a, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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Stock Ratings

Rating	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

Rating	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

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

Neutral
Underweight

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

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