Ascendas REIT

Growth through rebalancing, stability through diversification

SINGAPORE | REAL ESTATE (REIT) | INITIATION

14 July 2017

- Established and well-diversified platform, with a track-record of growing DPU.
- Singapore Industrial rents expected to bottom by 2018.
- Initiate coverage with Accumulate rating and $2.86 target price.

Initiating with Accumulate rating and DDM valuation of $2.86

We like Ascendas Real Estate Investment Trust (A-REIT) for its track record of growing YoY distributions to Unitholders, active capital recycling, repositioning of portfolio mix and stability through its well-diversified portfolio. Our dividend discount model (DDM) valuation represents an implied 1.35x multiple over FY18e net-asset-value.

Investment Thesis – Established and diversified platform that continues delivering returns

- **Established platform with support from Sponsor to deliver consistent returns.** Distribution per Unit (DPU) has grown at a 3.0% CAGR over the last five years. We expect DPU growth to be sustainable, through prudent management of the portfolio and capital.
- **Stability through diversification of the portfolio.** Portfolio of 131 properties as at end-March 2017 is diversified across property type, geography, lease structures and tenant trade sectors. No single property accounts for more than 5.4% of gross revenue. The trust also boasts a diverse source of capital.
- **Growth through rebalancing of the portfolio.** Singapore portfolio is under continual rebalancing, gearing towards higher-value added manufacturing. Australia platform continues to expand, while the China portfolio was divested in FY17.

Investment Merits

- **Largest Industrial REIT with an improving outlook for Industrial rents.** Oversupply of Industrial space is a concern, but supply is tapering in 2018. Taking the tapering supply in context with the uptick in Industrial activity leads us to believe that rents to bottom by 2018.
- **A ready pipeline of Industrial space from Sponsor.** A-REIT's Sponsor does not grant a right of first refusal (ROFR) portfolio. Nonetheless, A-REIT has access to the Sponsor's pipeline of over S$1 billion of Business & Science Park properties in Singapore.
- **Sizeable Australian platform, tapping on favourable outlook.** Australia is expected to experience positive gross domestic product (GDP) growth in 2017. Outlook is robust for leasing demand of industrial properties in Sydney and Melbourne, underpinned by population growth and retail trade. 76% of the Australia platform by valuation is located in Sydney and Melbourne.
- **Relatively low gearing affords debt headroom for inorganic growth.** A-REIT's 3.0% cost of debt is lower than median of 3.4% among peers as at end-March 2017. Aggregate leverage of 33.8% affords ample debt headroom to grow the portfolio by 20%.
- **Attractive distribution yield.** A-REIT offers an attractive FY18e forward dividend yield of about 6.1%.

Investment Risks

- **Protracted uncertainty in business sentiment.** Cautious outlook from tenants and reluctance to renew leases or expand would result in muted demand for space and put pressure on rent.
- **Disorderly interest rate hikes.** A faster than expected hike in interest rates would put pressure on cost of debt and negatively impact income available for distribution.
- **Australia portfolio faces two key risks.** Unfavourable changes to the withholding tax regime and concentration in Logistics & Distribution facilities.

Accumulate (Initiating)

LAST CLOSE PRICE	SGD 2.590
FORECAST DIV	SGD 0.158
TARGET PRICE	SGD 2.860
TOTAL RETURN	16.5%

COMPANY DATA

BLOOMBERG CODE:	AREIT SP
O/S SHARES (MN) :	2,886
MARKET CAP (USD mn / SGD mn) :	5427 / 7474
52 - WK HI/LO (SGD) :	2.76 / 2.2
3M Average Daily T/O (mn) :	10.13

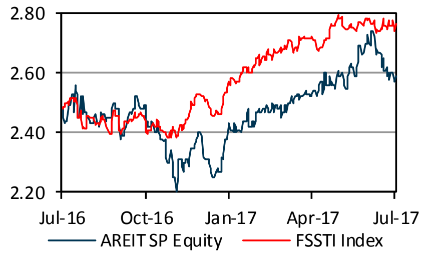
MAJOR SHAREHOLDERS (%)

ASCENDAS PTE LTD	20.2%
MONDRIAN INVESTMENT PARTNERS LTD	8.4%
BLACKROCK	6.1%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(5.9)	2.3	10.4
STI RETURN	(1.2)	1.9	14.7

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar	FY16	FY17	FY18e	FY19e
Gross Rev. (SGD mn)	761	831	865	883
NPI (SGD mn)	534	611	643	656
Dist. Inc. (SGD mn)	378	446	463	475
P/NAV (x)	1.2	1.2	1.2	1.2
DPU, adj (cents)	15.36	15.74	15.79	16.18
Distribution Yield (%)	6.3	6.2	6.1	6.2

Source: Company Data, PSR est.

VALUATION METHOD

DDM (Cost of Equity: 6.9%; Terminal g: 1.5%)

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MCI (P) 075/10/2016
Ref. No.: SG2017_0145

REIT Snapshot

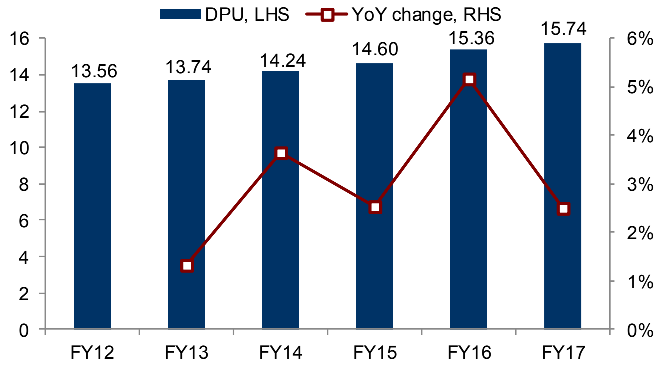
- Ascendas Real Estate Investment Trust (A-REIT) is the largest REIT in the S-REIT universe by market capitalisation, and it was the first Industrial REIT to be listed
- Backed by **Sponsor**, **Ascendas-Singbridge Group**, which is 51:49 jointly-owned by Temasek Holdings and JTC Corporation. The Sponsor has a 30 year track record in the industry and with a pipeline to over S$1 billion of Business and Science Park properties in Singapore
- The **Manager**, **Ascendas Funds Management (S) Limited (AFM)**, is a wholly-owned subsidiary of the Sponsor and has a three-pronged strategy of (1.) proactive portfolio management, (2.) disciplined value-adding investments and (3.) prudent capital & risk management
- **HSBC Institutional Trust Services (Singapore) Limited** is the **Trustee**. The property portfolio is held in a trust by the Trustee. The Trustee is responsible for the safe custody of the assets on behalf of Unitholders.
- **Singapore** portfolio valued at **S$8.57 billion** as at end-March 2017 consists of **3.03 million sq m** of lettable area. The portfolio of 103 properties is diversified across five property types: (1.) Business & Science park properties, (2.) Integrated development, amenities & retail properties (IDAR), (3.) Hi-specification industrial properties & data centres, (4) Light industrial properties & flatted factories and (5.) Logistics & Distribution centres.
- **Australia** portfolio valued at **S$1.31 billion** as at end-March 2017 consists of **692,000 sq m** of lettable area. The portfolio holds 27 Logistics & Distribution centres and one Business Park property.

Investment Thesis – Established and diversified platform that continues delivering returns

We view A-REIT as an established platform that has delivered growth through active portfolio rebalancing and achieved stability through portfolio diversification. DPU has grown at a 3.0% CAGR over the last five years, from 13.6 cents in FY12 to 15.7 cents in FY17. A-REIT has rebalanced its geographical footprint by gaining a foothold in Australia and exiting from China. The portfolio remains diversified across asset type, lease structure and tenant trade sector.

- 3.0% 5-year CAGR growth in DPU.

Figure 1: Unitholder distributions (cents) grow at a steady pace



Source: Company, PSR

Achieving stability through portfolio diversification

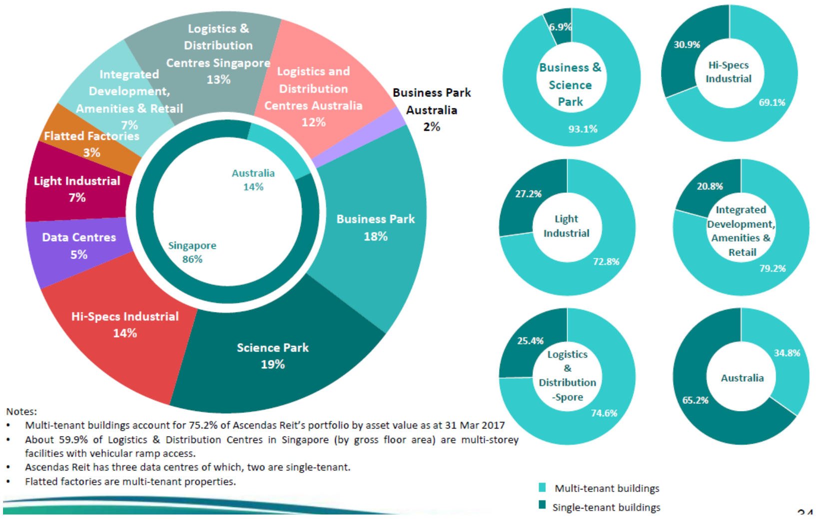
Diversification by geography and property type

The portfolio is currently split between Singapore and Australia. Singapore remains the home base, while the Australia assets make up 14% of total portfolio value. Australia is attractive for its freehold land status and market transparency. A-REIT had divested its three China properties during FY17.

The Singapore portfolio is diversified across the five property types of: (1.) Business and Science Park properties, (2.) Integrated development, amenities & retail (IDAR) properties, (3.) High-specifications industrial properties and data centres, (4.) Light industrial properties and flatted factories, and lastly, (5.) Logistics & Distribution centres.

The Australia portfolio consists of only Logistics & Distribution centres and one Business park property.

Figure 2: Portfolio diversification by geography and property type



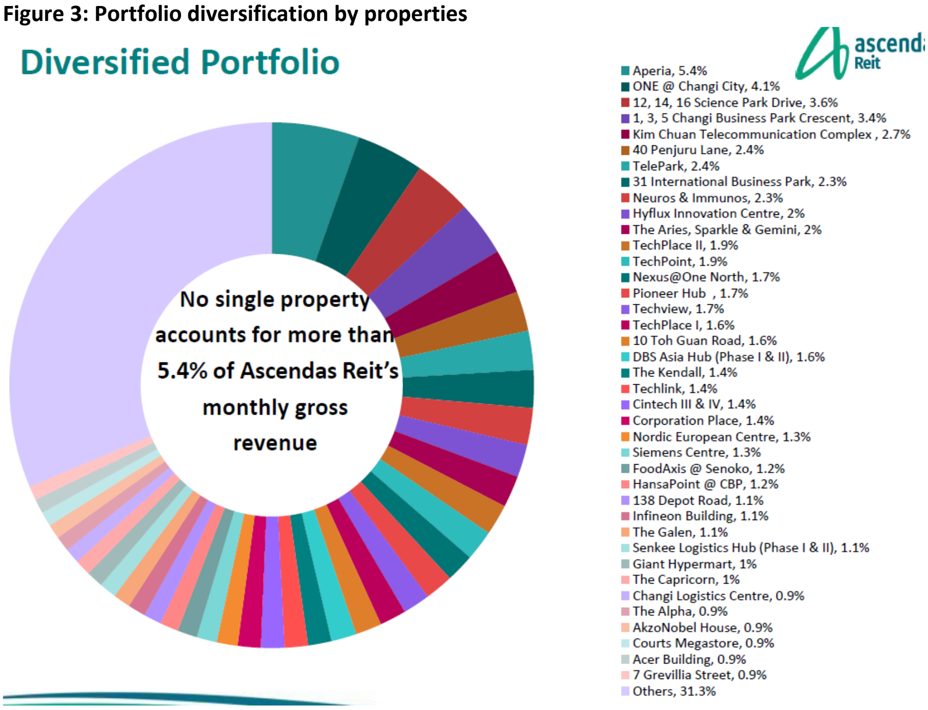
Source: Company

- Singapore portfolio is dominated by Multi-tenanted buildings (MTBs) and diversified across five property types.
- Australia portfolio is dominated by Single-user assets (SUAs) and diversified across two property types.

Diversification by number of properties

A-REIT has 131 properties in its portfolio as at end-March 2017. The largest contribution to the portfolio's monthly gross revenue from any property is 5.4%. Consequently, A-REIT is not heavily dependent on the income from any single property in its portfolio. The largest contribution to gross revenue is attributable to the property located at 8, 10, 12 Kallang Avenue known as Aperia. Aperia is an Integrated development, amenities & retail (IDAR) property consisting of two Business towers connected to a three-storey Retail mall.

Figure 3: Portfolio diversification by properties



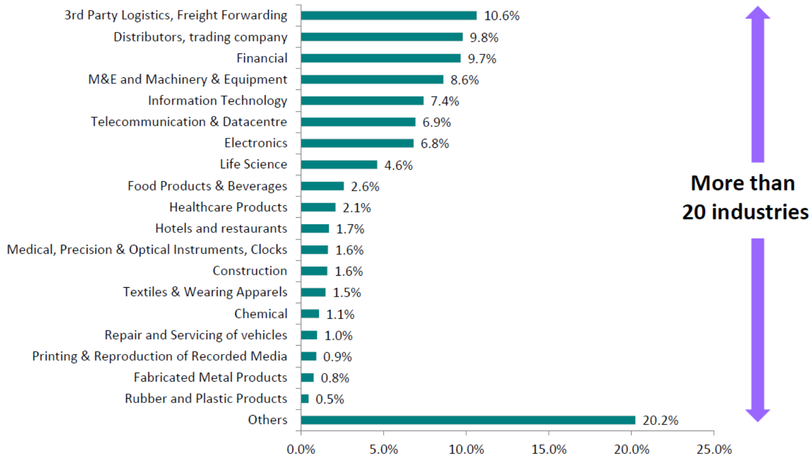
Source: Company

- 131 properties in the portfolio results in largest contributor of 5.4% to the portfolio gross revenue.
- Top five properties contribute less than 20% of portfolio gross revenue.

Diversification by tenant trade sector and individual tenants

A-REIT's tenants span across more than 20 trade sectors. A-REIT's portfolio does not have a majority exposure to any particular trade sector. The largest exposure comes from the third-party logistics (3PL) and freight forwarding segment, accounting for 10.6% of monthly gross revenue. At the same time, A-REIT's 10 largest tenants account for 20.8% of portfolio gross revenue, with Singapore Telecommunications Ltd being the largest at 4.8%. Consequently, A-REIT's portfolio experiences low single-customer concentration risk.

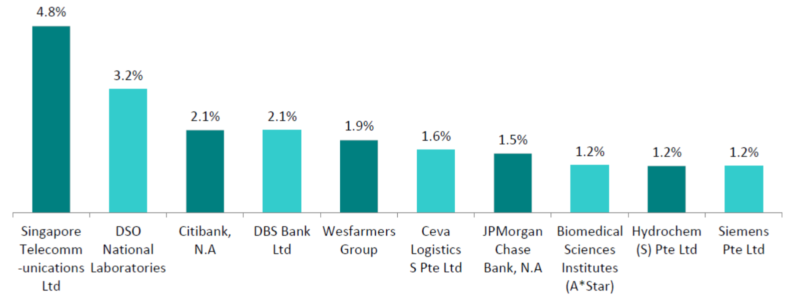
Figure 4: Portfolio diversification by tenant trade sectors



Source: Company

- Tenants are diversified across more than 20 trade sectors.
- 3PL and freight forwarding is the largest – accounting for 10.6% of portfolio gross revenue.

Figure 5: Portfolio diversification by individual tenants



Source: Company

- 1,390 tenants
- Top 10 tenants account for 20.8% of portfolio gross revenue
- Largest tenant is Singapore Telecommunications Ltd – 4.8% of portfolio gross revenue
- Low single-customer concentration risk.

Delivering growth through active portfolio rebalancing

Rebalancing the Singapore portfolio through inorganic growth

A-REIT boasts a portfolio that has "low exposure to manufacturing". The manager's strategy has been to reposition the portfolio to cater to higher-value manufacturing activities and non-manufacturing activities. A recent acquisition was of a Business & Science Park asset, while a recent divestment announced was for a Light Industrial building / warehouse. The Singapore portfolio is currently weighted 65% by valuation towards Business & Science Park properties, Hi-specifications industrial properties and data centres.

- **Expanded its exposure to Business & Science Park properties through 12, 14 and 16 Science Park Drive (DNV/DSO)**

  A-REIT acquired the property in Singapore Science Park 1 for S$420 million. The acquisition of the three buildings under a single land title was completed on 16 February 2017, and partially contributed to 4Q FY17 results. The property is fully leased, with DSO National Laboratories occupying two of the buildings, and DNV GL Singapore Pte Ltd occupying the third building. The weighted average lease expiry (WALE) for the property is for 16.5 years, which is considerably longer than the typical industrial lease and also longer than A-REIT's portfolio WALE of 4.3 years.
- **Ongoing re-development and AEI projects**

  A-REIT is currently redeveloping two assets in Singapore – 20 Tuas Avenue 1 and 50 Kallang Avenue. In addition, The Gemini (a Science Park 2 property) is currently undergoing asset enhancement initiative (AEI). The AEI at The Gemini follows the AEI completed at the other buildings within the cluster (The Aries-Sparkle). The Gemini remains income producing for the duration of the AEI project.

Ongoing Singapore re-development projects

Property	Remarks	Commenced	Estimated Completion	Estimated Value (S$ mn)
20 Tuas Ave 1 (formerly 279 Jln Ahmad Ibrahim)	Speculative development of a ramp-up 3-storey warehouse block. Conversion to MTB	1Q FY17 / 2Q 2016	4Q FY18 / 1Q 2018	61.4
50 Kallang Avenue	Façade cladding, reconfiguration of spaces, lift modernisation, new air conditioning system and enlarging windows for natural lighting etc. Conversion of MTB to Hi-Specs SUA	2Q FY17 / 3Q 2016	1Q FY18 / 2Q 2017	45.2

Source: Company, PSR

- **Recycling of capital through divestments**
  Recent divestments in Singapore were Four Acres Singapore (completed 29 April 2016) and 10 Woodlands Link (completed 12 July 2017). Four Acres Singapore was a build-to-suit (BTS) project and the property was divested to Unilever for S$34.0 million, which is higher than the development cost of S$30.8 million. 10 Woodlands Link (Light Industrial building / warehouse) was divested for S$19.3 million, which is higher than the original purchase price of S$12.0 million.

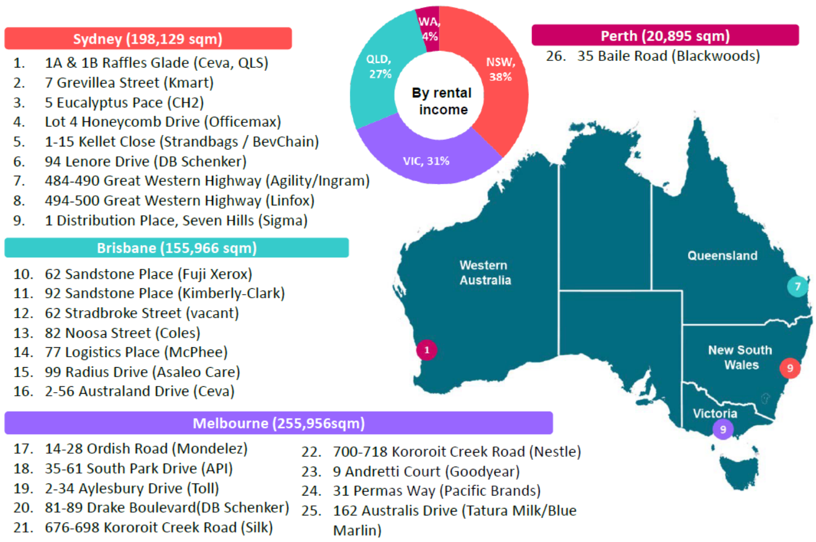
Made a sizeable investment in the Australian platform

A-REIT's foray into Australia was in 2015 through an initial platform of 26 Logistics properties across Sydney, Brisbane, Melbourne and Perth. The platform was acquired from GIC and Frasers Property Australia Pty Limited for A$1.01 billion and completed over two Phases. Phase One consisted 10 properties and was completed on 23 October 2015 (3Q FY16); Phase Two was completed on 18 November 2015 (3Q FY16).

Since the initial platform, the Australian portfolio has grown to A$1.26 billion with the addition of two Logistics facilities and a Business Park property.

- Initial portfolio of 26 Logistics properties spread across four cities.
- 69% of Australia portfolio by valuation was located in Sydney and Melbourne – the two cities with the most robust demand. This has grown to 76% by valuation, with the three additional acquisitions.

Figure 6: Acquisition of initial 26 Australian Logistics properties



Source: Acquisition of Australian Logistics Portfolio Presentation, 18 September 2015

- **Properties of comparable yield that are on freehold land**
  Yields in Australia (6.42%) are comparable to that in Singapore (6.27%), but the key difference is that the properties are on freehold land. This is in direct contrast to industrial land in Singapore, which is allocated by the government at shorter tenures – typically 25 or 30 years of land lease. The Singapore portfolio has a weighted average land lease expiry of 46.5 years as at end-March 2017.
- **Acquisition of Logistics Property in Dandenong South, Melbourne after FY17**
  The forward purchase of the logistics property, Stage 4, Power Park Estate was

announced on 9 Sep 2016 for A$24.8 million (S$26.5 million). The acquisition was completed on 3 April 2017 (1Q FY18) with 68% occupancy.

Timeline for Australia portfolio

Date	Remarks	Acquisition completed
18 Sep 2015	Announced the proposed acquisition of 26 logistics properties for A$1,013 million (S$1,013 million), expected to complete in 4Q 2015 (3Q FY16)	Phase 1: 23 Oct 2015 Phase 2: 18 Nov 2015
24 Dec 2015	Announced the proposed acquisition of an A$76.6 million (S$76.6 million) logistics facility in Pemulwuy, Sydney (6-20 Clunies Ross Street), making it A-REIT's tenth logistics property in Sydney and its twenty-seventh in Australia	22 Feb 2016
9 Sep 2016	Announced the acquisition of two more properties: a business park property in Mascot, Sydney (197-201 Coward Street) for A$143.4 million (S$145.6 million), and the forward purchase of a logistics property in Dandenong South, Melbourne (Stage 4, Power Park Estate) for A$24.8 million (S$26.5 million)	Business park: 9 Sep 2016 Logistics facility: 3 April 2017

Source: Company, PSR

Exited from China platform in FY17

A-REIT had three China properties which were divested during FY17. This will be a negative impact in FY18, due to absence of contribution from the properties.

- **Took profit at a good price and realising investment gains**
  The properties were divested at capitalisation rates of 5% and realised gains of about S$196.5 million over original cost.

China divestments in FY17

	Divestment value (S$ mn)	Original cost (S$ mn)	Divestment gain (S$ mn)	Completion date
A-REIT Jiashan Logistics Centre	25.4	21.3	4.1	17-Jun-16
Ascendas Z-Link	154.9	61.8	93.1	11-Jul-16
A-REIT City @Jinqiao	221.6	122.3	99.3	1-Nov-16

Source: Company, PSR

Valuation Method: Dividend Discount Model (DDM)

Absolute valuation

The DDM is an appropriate method to value A-REIT as most of its cash flow is paid out to Unitholders through dividends. A-REIT has consistently paid out 100% of its distributions. We derive a valuation of S$2.86 from our DDM valuation.

Sources of growth in FY18

- **Inorganic growth** in gross revenue from contributions by two Australian acquisitions completed in 2Q FY17 (197-201 Coward Street, Sydney) and 1Q FY18 (Stage 4, Power Park Estate, Melbourne) and one in Singapore in 4Q FY17 (12, 14, 16 Science Park Drive); offset by absence of China portfolio and Four Acres Singapore which were divested in FY17, and 10 Woodlands Link which was divested in July 2017.
- **Organic growth** is expected to be muted as the Singapore portfolio – which is 87% of the REIT's overall portfolio by valuation – is currently facing an oversupply situation.
- Adverse impact on **Distribution per Unit (DPU)** due to dilutive conversion of Exchangeable Collateralised Securities (ECS), which increased the number of issued units by ~10% during FY17.

Dividend Discount Model

Y/E Mar	FY18e	FY19e	FY20e	FY21e	FY22e
Forecasted distributions (S$)	0.158	0.162	0.162	0.162	0.163
PV of forecasted distributions (S$)	**0.148**	**0.142**	**0.132**	**0.124**	**0.117**
Terminal value (S$)					3.06
PV of terminal value (S$)					**2.19**
Price Target (S$)	**2.86**				
Assumptions					
Cost of equity	6.9%				
Terminal growth rate	1.5%				

Source: PSR

Peer comparison

While we value A-REIT using a DDM, we compare it on a relative valuation basis against its peers. We have *excluded* Keppel DC REIT and EC World REIT from the comparison table as they hold a portfolio consisting exclusively of data centres and warehouses exclusively in China, respectively.

Larger capitalised REITs tend to trade at a premium

A-REIT is trading above the sector average P/NAV multiple. Among peers, the larger capitalised REITs tend to trade at a premium to their book value.

Peer relative data (arranged by Mkt. Cap.)

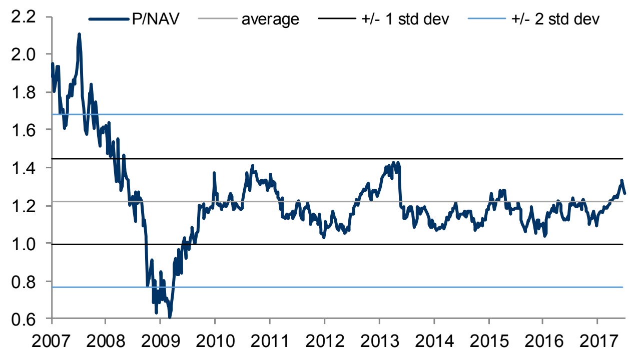
	Mkt. Cap. (S$ mn)	Price (S$)	Trailing P/NAV (x)	12M-trailing yield (%)
Ascendas REIT	7,474	2.59	1.26	6.1
Mapletree Industrial Trust	3,344	1.855	1.32	6.1
Mapletree Logistics Trust	2,964	1.185	1.14	6.3
Frasers Logistics & Industrial Trust	1,592	1.055	1.11	N.A.
AIMS AMP Capital Industrial REIT	948	1.485	1.07	7.4
Viva Industrial Trust	876	0.905	1.14	7.9
Cache Logistics Trust	843	0.935	1.21	8.0
ESR-REIT	783	0.600	0.95	6.8
Soilbuild Business Space REIT	775	0.740	1.03	8.1
Sabana Shari'ah Compliant REIT	479	0.455	0.76	8.5
Average			**1.10**	**7.3**

Source: Bloomberg (Updated: 13 July 2017), PSR

Historically, A-REIT had traded at a discount to book value only once

The only time that A-REIT had traded below its trailing NAV was during the tail-end of the global financial crisis (GFC) in 2008/2009. Since then, A-REIT has never traded at a discount to its book value again. The lowest P/NAV multiple it has ever traded to was 1.08x.

Figure 7: Trailing P/NAV(x) with SD bands, weekly closing price



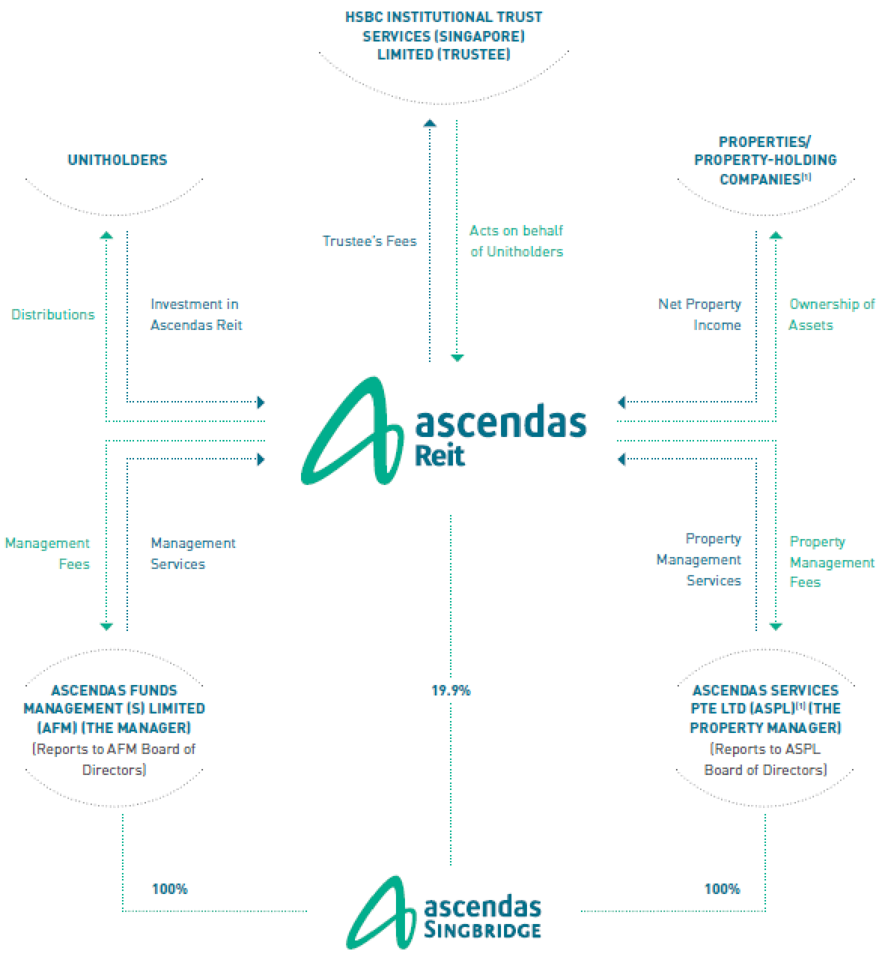
Source: Bloomberg, PSR

APPENDIX – REIT background & operational characteristics

Trust Structure

The following figure illustrates the structure of the trust with the various stakeholders.

Figure 8: A-REIT Trust Structure



Source: Company FY17 Annual Report

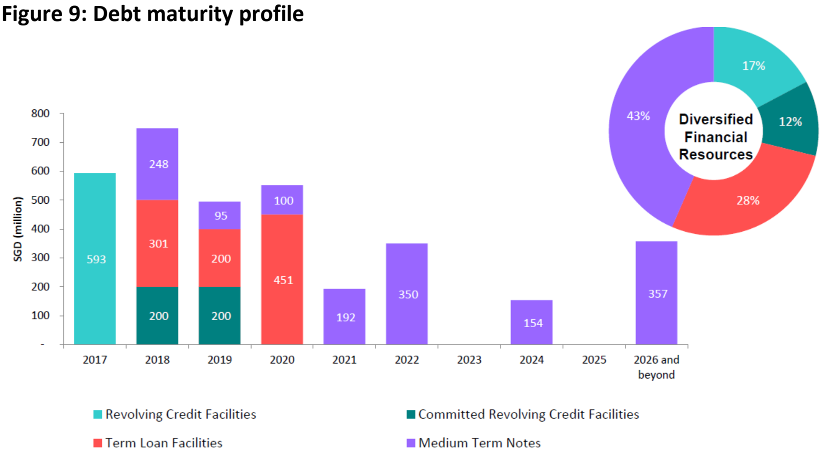
Capital management

Diversified sources of debt with well-spread debt maturity profile

A-REIT has various sources of debt, comprising (1.) Revolving credit facilities, (2.) Committed revolving credit facilities, (3.) Term loan facilities and (4.) Medium term notes (MTNs). The average debt maturity profile is 3.3 years as at end-March 2017. A-REIT's strategy is to have no more than 20% of debt maturing in any given financial year.

Other than SGD-denominated MTNs, A-REIT also makes use of JPY- and HKD-denominated MTNs, thus diversifying its geographical exposure to debt investors. These foreign currency denominated MTNs are fully hedged via currency swaps and A-REIT does not bear any currency risk.

Figure 9: Debt maturity profile



Source: Company

- Four sources of debt facilities.
- Average debt maturity profile of 3.3 years as at end-March 2017.
- Strategy of having no more than 20% of debt maturing in any given financial year.

Manageable gearing with available debt headroom

Aggregate leverage stands at 33.8% as at end-March 2017 which is lower than the sector median of 36.8%. Available debt headroom of S$2.1 billion (based on 45% aggregate leverage) to make acquisitions, potentially growing the property portfolio by 20% from the existing S$10 billion.

Hedging of interest rate exposure

78.9% of the borrowings is hedged for a weighted term of 3.2 years.

Diversified sources of funds

Apart from traditional forms of debt, A-REIT previously had made use of exchangeable collateralised securities (ECS) as a source of funding and recently issued perpetual securities.

- **Exchangeable collateralised securities**. S$300 million issue of ECS paying a fixed coupon of 1.60% per annum was completely redeemed during FY17. The ECS was considered as debt in the calculation of aggregate leverage.
- **Perpetual securities.** Issued S$300 million tranche at 4.75% in October 2015. Payable every half-yearly in April and October. Perpetual securities are considered as equity in the calculation of aggregate leverage.
- **Consideration Units.** A-REIT had made use of Consideration Units to partially fund the acquisition of One@Changi City (completed 1 March 2016) located at Changi Business Park and 12, 14, 16 Science Park Drive (completed 16 February 2017) from the Sponsor. S$210 million of the S$420 million acquisition cost for One@Changi City was satisfied by the issuance of Consideration Units; and S$100 million of the S$320 million acquisition cost for 12, 14, 16 Science Park Drive was satisfied by the issuance of Consideration Units.
- **Placement Units.** A-REIT had made use of a Private Placement in August 2016 to issue 64 million new Placement Units. The S$154.7 million raised was substantially used to fund the acquisition of a Business Park property in Sydney (197-201 Coward Street) and a Logistics property in Melbourne (Stage 4, Power Park Estate).

Unit buy-back mandate

The manager has a new tool in managing capital. During the recent FY17 Annual General Meeting (AGM), 99.98% of Unitholders voted for Ordinary Resolution 5, granting the manger a Unit buy-back mandate.

Foreign-sourced income management

AUD exposure has been swapped

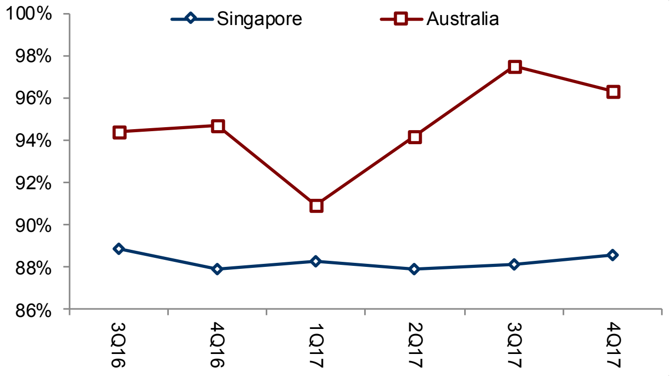
A-REIT utilises currency swaps to hedge its exposure to AUD on a 12-month rolling basis.

Tenant management

Healthy portfolio occupancy

The Singapore portfolio enjoys occupancy in the high-80s that is consistent with the JTC sector-wide occupancy. The Australia portfolio is dominated by SUAs, resulting in the higher occupancy compared to Singapore.

Figure 10: Portfolio occupancy



Source: Company, PSR

- Singapore occupancy is consistent with JTC sector-wide statistics.
- Australia has a higher occupancy owing to the large proportion of SUAs that were acquired in FY16.

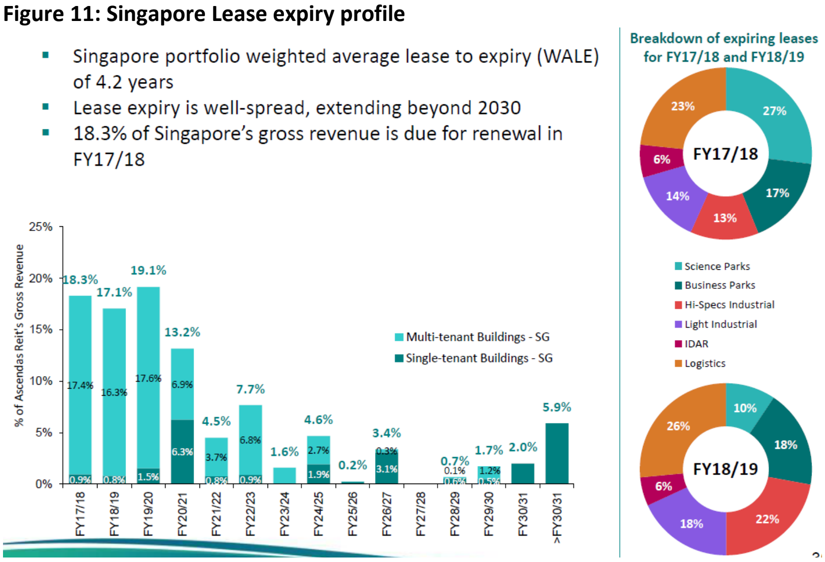
Evenly staggered lease expiry profile

The overall portfolio has an evenly staggered lease expiry profile with a WALE of 4.3 years by gross revenue. This is longer than the median 3.3 years among Industrial S-REIT peers.

Singapore portfolio

The Singapore portfolio has a WALE of 4.2 years by gross revenue. 18.3%/17.1% of Singapore portfolio expiring in FY18/FY19 is a concern, but we believe is mitigated by the tapering of supply in 2018.

Figure 11: Singapore Lease expiry profile



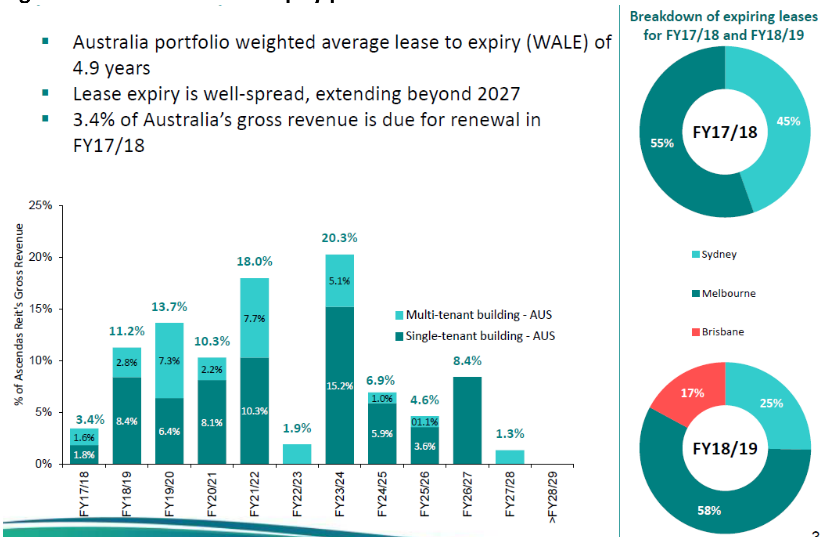
Source: Company

- 18.3%/17.1% expiring in FY18/FY19, diversified across all property types.
- Concentration of MTB expiries.

Australia portfolio

The Australia portfolio has a WALE of 4.9 years by gross revenue. Notably, the portfolio has a higher proportion of SUAs over MTBs compared to Singapore. This is the inherent characteristic of the Australia market where a logistics property is typically occupied by a single user.

Figure 12: Australia Lease expiry profile



Source: Company

- 3.4%/11.2% expiring in FY18/FY19, mainly in Sydney and Melbourne.
- Concentration of SUA expiries.

Financials

Statement of Total Return and Distribution Statement

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Gross revenue	**673**	**761**	**831**	**865**	**883**
Property expenses	(211)	(227)	(220)	(222)	(227)
Net property income	**463**	**534**	**611**	**643**	**656**
Net Finance (Expense)/Inc.	(105)	(77)	(111)	(107)	(105)
Manager's fees	(38)	(60)	(50)	(49)	(49)
Other items	(51)	(23)	(12)	(11)	(11)
Net income	**268**	**373**	**438**	**476**	**490**
FV change, derivatives & ppties	136	8	(30)	-	-
Share of JV's results	-	0.04	0.48	-	-
Total Return Before Tax	**404**	**381**	**408**	**476**	**490**
Taxation	(7)	(25)	19	(9)	(11)
Total Return After Tax	**398**	**356**	**427**	**467**	**480**
Distribution adjustments	(46)	23	19	(4)	(4)
Income available for distribution	**351**	**378**	**446**	**463**	**475**

Per share data (cents)

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
NAV	208.0	206.0	206.0	211.7	211.3
EPU	16.54	14.21	14.83	15.95	16.35
DPU	14.60	15.36	15.74	15.79	16.18

*Forward EPU does not include change in Fair Value of Investment Properties

Cash Flow

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
CFO					
Total return	404	381	408	476	490
Adjustments	(29)	94	151	116	115
WC changes	(10)	11	(24)	(11)	(0)
Cash generated from ops	365	486	536	582	605
Others	(2)	(4)	(7)	(9)	(11)
Cashflow from ops	**362**	**482**	**529**	**572**	**595**
CFI					
CAPEX, net	(102)	(158)	(103)	(95)	(12)
Purchase of Inv. Propty., net	(541)	(1,339)	(89)	(8)	-
Others	6	4	54	2	2
Cashflow from investments	**(638)**	**(1,492)**	**(138)**	**(100)**	**(10)**
CFF					
Share issuance, net	-	645	155	-	-
Loans, net of repayments	577	920	50	(50)	-
Distributions	(261)	(442)	(515)	(306)	(483)
Others	(68)	(96)	(116)	(109)	(107)
Cashflow from financing	**249**	**1,027**	**(426)**	**(464)**	**(590)**
Net change in cash	**(27)**	**16**	**(35)**	**8**	**(5)**
Beginning cash	67	42	56	22	30
Effects of exchange rate	0.8	(1.7)	0.3	-	-
Ending cash	**42**	**56**	**22**	**30**	**25**

Balance Sheet

Y/E Mar, SGD mn	FY15	FY16	FY17	FY18e	FY19e
ASSETS					
Investment properties	7,868	9,599	9,874	10,102	10,114
Inv. Propty. Under Devmnt.	-	-	125	-	-
Associates/JVs	-	0.04	0.13	0.13	0.13
PPE	0.26	0.07	-	-	-
Others	135	90	72	72	72
Total non-current assets	**8,003**	**9,689**	**10,071**	**10,173**	**10,185**
Trade receivables	90	89	63	94	89
Cash	42	56	22	30	25
Others	26	36	14	14	14
Total current assets	**157**	**181**	**100**	**139**	**128**
Total Assets	**8,160**	**9,870**	**10,171**	**10,312**	**10,313**
LIABILITIES					
Borrowings	286	1,180	824	774	774
Trade payables	189	172	193	213	207
Others	33	44	105	105	105
Total current liabilities	**507**	**1,396**	**1,122**	**1,092**	**1,086**
Borrowings	2,442	2,484	2,576	2,576	2,576
Others	198	205	138	138	138
Total non-current liabilities	**2,640**	**2,689**	**2,714**	**2,714**	**2,714**
Total Liabilities	**3,147**	**4,085**	**3,836**	**3,806**	**3,800**
Net assets	**5,014**	**5,785**	**6,335**	**6,506**	**6,513**
Represented by:					
Unitholders' funds	5,014	5,481	6,031	6,202	6,209
Perp. securities holders	-	304	304	304	304
Non-controlling interests	0.04	0.02	0.03	0.03	0.03

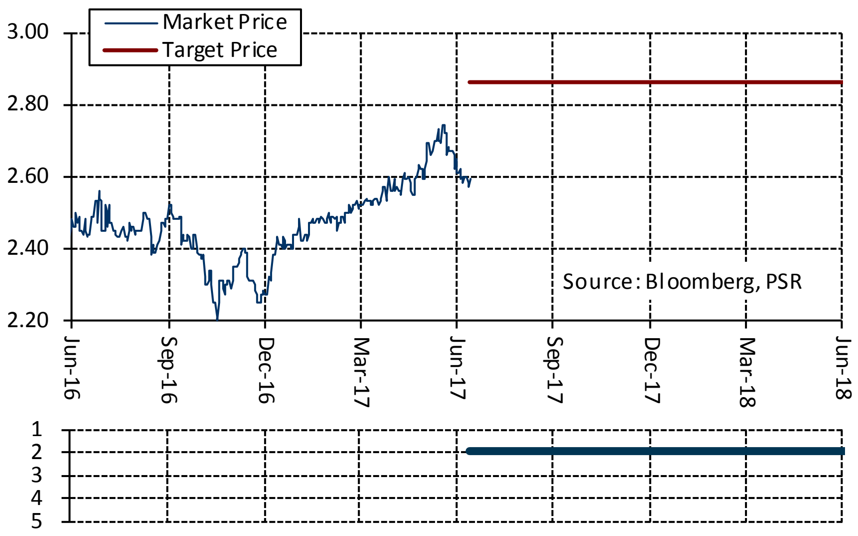
Valuation Ratios

Y/E Mar	FY15	FY16	FY17	FY18e	FY19e
P/NAV (x)	1.3	1.2	1.2	1.2	1.2
P/DPU (x)	17.9	16.0	16.2	16.4	16.0
Distribution Yield (%)	5.6	6.3	6.2	6.1	6.2
NPI yield (%)	6.3	6.1	6.2	6.4	6.5
Growth & Margins (%)					
Growth					
Revenue	9.8%	13.0%	9.1%	4.1%	2.1%
Net property income (NPI)	6.1%	15.3%	14.5%	5.3%	2.0%
Distributable income	2.7%	7.7%	18.0%	3.6%	2.8%
DPU	2.5%	5.2%	2.5%	0.3%	2.5%
Margins					
NPI margin	68.7%	70.1%	73.6%	74.4%	74.3%
Key Ratios					
Net Debt or (Net Cash)	2,686	3,608	3,378	3,320	3,325
Gearing (%)	33.4%	37.1%	33.4%	32.5%	32.5%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

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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