CapitaLand Mall Trust

Strong operator in a challenging environment

SINGAPORE | REAL ESTATE (REIT) | INITIATION

- Expect retail sales to bottom in 2H17 as the economy continues to recover. Sentiment could receive further boost with improving home prices.
- Largest mall owner in Singapore with a focus on suburban malls that are well integrated into major transport hubs and with near monopolistic locations.
- Structural challenges remain the e-commerce threat and slowing population growth.
- Initiate coverage with NEUTRAL rating and DDM-derived target price of $2.01.

Investment Merits

- **Singapore retail sales (ex-motor vehicles) dropped 2.6% in 2016, its worst year since 2009. Following a similarly disappointing 1Q17, we think this is set to bottom and stabilise going forward in 2H17.** Singapore's GDP growth has picked up from what we believe was the inflexion point in 3Q16, driven by strong manufacturing and services data, especially in the electronics and precision engineering clusters. Consumer sentiment should be further boosted by a turnaround in property prices that we opine will happen in 2H17/1H18.

- **Largest mall owner in Singapore, with heavy focus on suburban market with strong catchment crowds, and resilient necessity spending.** CMT's proactive approach in improving shopper experience and strategically located malls have led to it consistently maintain a near full portfolio occupancy, even though the GFC years in 2008-09. CMT mall valuations also outperformed that of general retail shop space or residential properties from a longer term perspective (since 2002, CMT's IPO year). CMT suburban malls stand out as a very attractive asset class with their near monopolistic locations, integration into major suburban transport hubs and focus on necessity spending.

Structural challenges:

- **Increasing number of ecommerce sites, more aggressive promotions and increasing ease of shopping online.** We expect online spending to continue momentum and account for a bigger proportion of total retail sales going forward. Brick and mortar stores to remain under pressure in the interim as operators catch up and implement measures to improve the overall shopping experience.

- **Declining population growth and aging population in Singapore.** A slower population growth versus the 10 year historical average is likely to negatively impact retail spending growth.

We initiate coverage with a NEUTRAL rating and a DDM-derived target price of S$2.01. We have assumed a risk free rate of 3.1% and terminal growth of 1.5% in our forecasting.

12 June 2017

Neutral (Initiation)

LAST DONE PRICE	SGD 1.93
FORECAST DIV	SGD 0.11
TARGET PRICE	SGD 2.01
TOTAL RETURN	10.2%

COMPANY DATA

BLOOMBERG CODE:	CT SP
O/S SHARES (MN) :	3,545
MARKET CAP (USD mn / SGD mn) :	4929 / 6825
52 - WK HI/LO (SGD) :	2.25 / 187
3M Average Daily T/O (mn) :	9.53

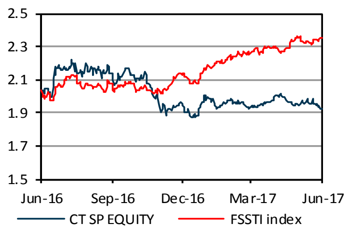
MAJOR SHAREHOLDERS (%)

CAPITALAND	29.38%
NTUC ENTERPRISE	5.26%
BLACKROCK	5.00%
SUMITOMO MITSUI ASSET MGMT CO	3.26%
VANGUARD GROUP	2.00%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(18)	14	(0.3)
STI RETURN	0.4	5.7	18.7

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD mn	FY15	FY16	FY17e	FY18e
Gross Revenue	669	690	684	692
NPI	466	480	480	485
Dist Inc.	392	394	396	400
P/NAV (x)	102	102	100	102
DPU (Cents)	1130	1110	1120	1130
Dist yield %	5.90	5.80	5.80	5.90

Source: Company Data, PSR est.

Valuation Method

DDM (Cost of equity 7.25%, Terminal Growth 1.5%)

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Company Background

Singapore's first and largest retail REIT, CMT owns 16 shopping malls across Singapore, making them the largest shopping mall owner in the country with a 14% market share. 75% of CMT's malls are strategically integrated with MRT stations, with the rest a maximum 5 minute walk away.

With these ideal locations and a heavy focus on necessity shopping (79.5%), CMT has been able to maintain an average occupancy of 98.8% over the 15 years since listing. Portfolio occupancy was remarkable even through the GFC years in 2008-2009 at 99.7% and 99.8% respectively, highlighting the resilience of CMT's well located malls.

Figure 1: CMT's well located malls at important transport nodes

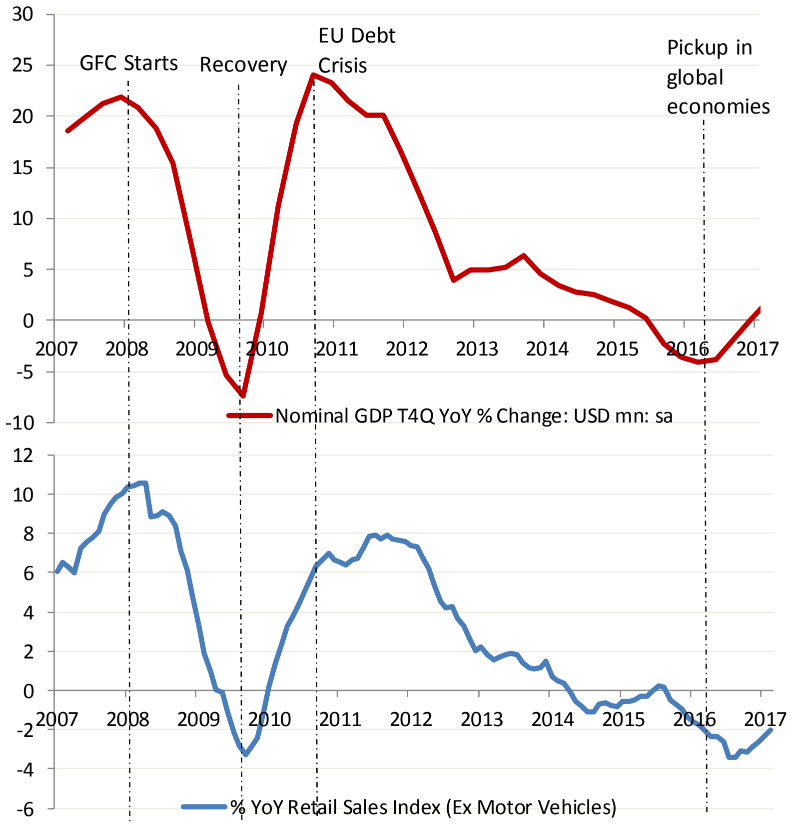
Source: Company

Investment Merits

1. **Singapore retail sales (ex- motor vehicles) dropped 2.6% in 2016, its worst year since 2009. Following a similarly disappointing 1Q17, we think this is set to bottom and stabilise going forward in 2H17. Singapore's GDP growth has picked up from what we believe was the inflexion point in 3Q16, driven by strong manufacturing and services data, especially in the electronics and precision engineering clusters. Consumer sentiment should be further boosted by a turnaround in property prices that we opine will happen in 2H17/1H18.**

Singapore's retail sales suffered its third consecutive year of contraction and weakest annual performance since 2009. 1Q17 did not fare much better as Retail Reits CMT and FCT reported YoY drops in tenant sales, albeit with better March numbers vs Jan-Feb. Amid the glut of pessimistic retail sales data, we expect a turnaround going forward in 2017. Singapore's GDP growth has picked up from what we believe was the inflexion point in 3Q16.

Figure 2: GDP growth picked up since 3Q16 after Singapore narrowly missed a technical recession.



Source: CEIC, PSR

MTI forecasts Singapore's economic growth to come in above 2% in 2017 on the back of an improving global outlook.

	YoY Growth				
	1Q16	2Q16	3Q16	4Q16	1Q17
Manufacturing	-0.4%	1.5%	1.8%	11.5%	8.0%
Services	-4.2%	-0.7%	1.1%	8.4%	-2.1%
Exports (non-oil)	-9.6%	1.2%	-5.2%	2.7%	15.2%

Source: MTI, PSR

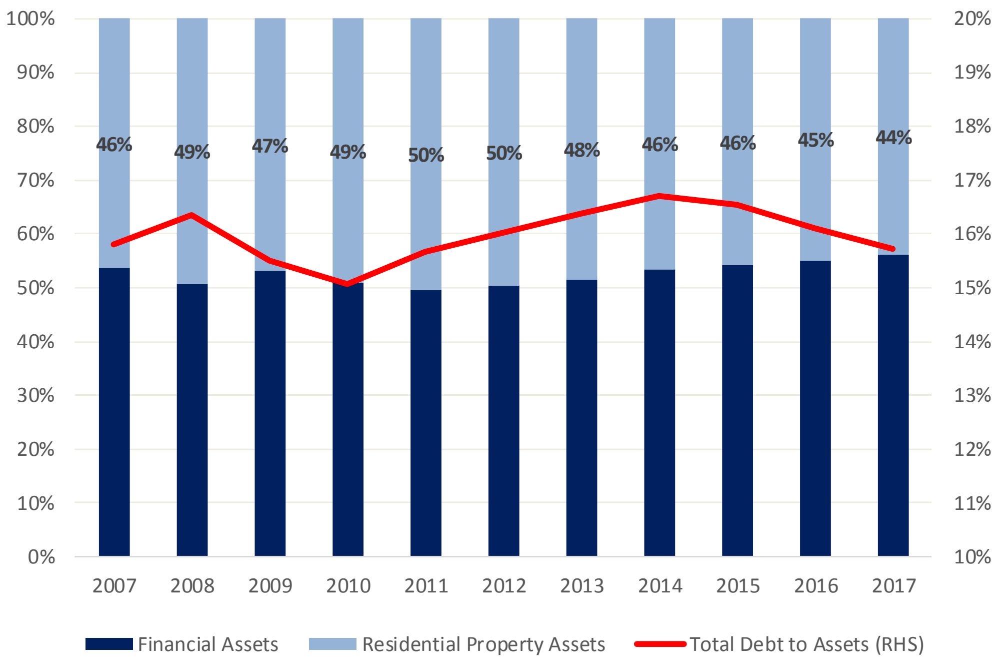
4Q16/1Q17 recovery led by manufacturing and exports, particularly in the electronics and precision engineering sectors. We expect strength in these sectors to continue on the back of recovery of global demand in these sectors

Consumer sentiment looks set to improve backed by healthy household balance sheets, supported by a resilience and turnaround in property prices in 2H17. This comes after 14 consecutive quarters of decline since 4Q13. Residential assets make up 44% of household balance sheets. The government's first "easing" of property cooling measures in 1Q17 has done much to improve sentiment. We expect a bottom and turnaround in property price from 2H17.

Our rationale for expecting a bottoming and improvement in home prices stems from:

1. 14 consecutive quarters of home price fall increasing affordability. Buying sentiment likely improved after government's first easing of cooling measures in 1Q17.
2. Dwindling unsold inventory as a result of tapering government land sales since 2011. Demand supported by improving sentiment.
3. Transaction volumes in 1Q17 have increased 70% YoY. Our talks and channel checks with developers seem to point to a greater hunger for land. They have demonstrated this with four en-bloc sales in the last month. Developers seem to share the same optimism on home prices.

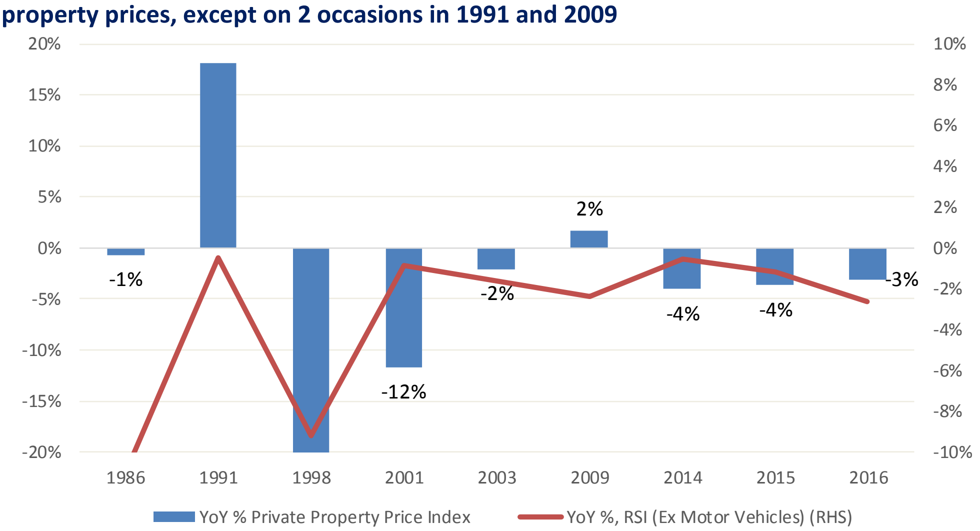
Figure 3: Household balance sheets have been improving with total gearing dropping over the last two years. Residential property make up 44% of total household assets.



Source: Singstats

Since 1985, there have been 9 years where the Retail Sales Index (ex-motor vehicles) registered declines. All have occurred in years where property prices are dropping, except in 1991 and 2009. The correlation between home prices and retail spending and the impact it has on sentiment and thereby consumption is therefore significant.

Figure 4: Since 1985, previous declines in retail sales were accompanied by drops in property prices, except on 2 occasions in 1991 and 2009



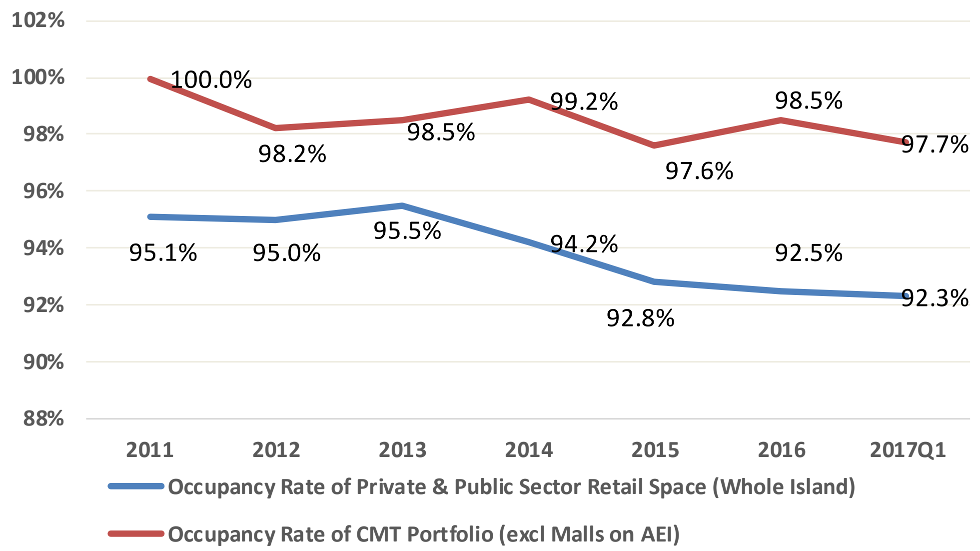
Source: CEIC, Singstat, PSR

2. **CMT is a market leader in Singapore as a mall operator cum owner, with heavy focus on suburban market with strong catchment crowds, and resilient necessity spending. Its proactive approach in improving shopper experience and strategically located malls have led to it consistently maintain a near full portfolio occupancy, even though the GFC years in 2008-09.**

In embracing technology and innovative solutions for improved shopper experience and better operational efficiency, CapitaLand has launched various initiatives, amongst which:

i. Harnessing visible light communication (VLC) technology in the malls' Philips lighting fixtures which are able to detect shoppers' indoor positioning, This allows for more targeted and personalised marketing messages to be broadcast to shoppers.
ii. Introduction of a fully automated artificial intelligence chatbot in the CapitaStar App which is able to dish out a slew of concierge services such as restaurant booking and ride hailing.
iii. Streamlining goods delivery process by harnessing technology through the In-Mall distribution pilot which shrank delivery time by more than 70%.

Figure 5: CMT's proactive strategies in enhancing shopper experience and strategically located malls enabled it to consistently maintain a near full portfolio occupancy



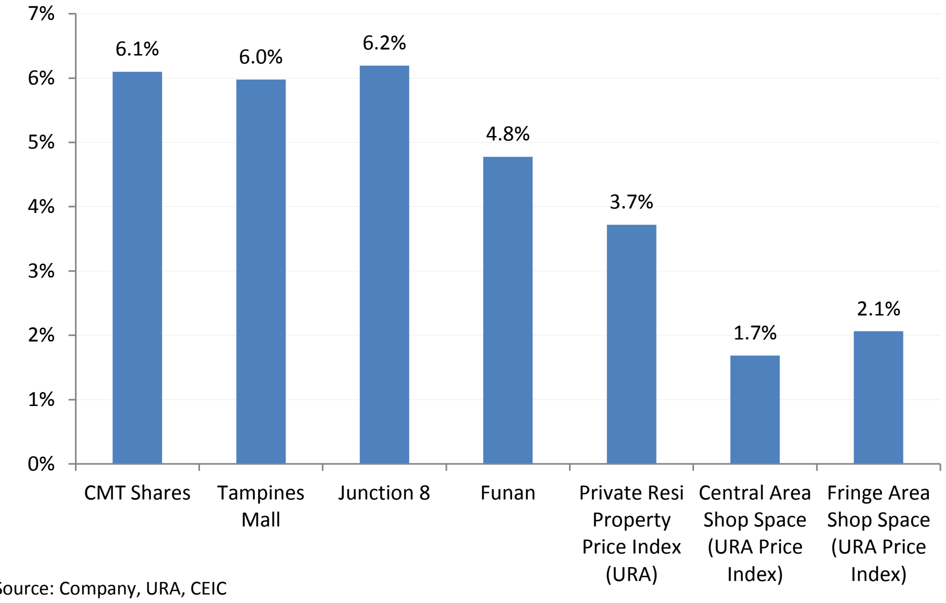
Source: Company, URA, CEIC

CMT mall valuations outperformed that of general retail shop space or residential properties from a longer term perspective (since 2002, CMT's IPO year).

Valuations for CMT's retail malls grew a CAGR of 4.8-6.2% over the past 14 years since CMT's IPO (We used Tampines Mall, Junction 8 and Funan as examples as these are the only 3 properties in the IPO portfolio). This outperforms the 3.7% CAGR for residential home prices or 1.7-2.1% CAGR for general shop space. We think this is a result of having an experienced property manager who is able to enhance the income-earning ability (and thereby drive valuation). In line with its portfolio property valuations, CMT shares also gained 6.2% CAGR from IPO to present. On top of higher capital gains, investing in CMT also yields a higher average dividend of c.5% vs the average net rental yield of c.3% for residential properties.

Going forward though, with structural challenges such as the threat from e-commerce, slowing population growth, higher dependency ratio, brick and mortar retail sales in Singapore could enter a new era with slower growth.

Figure 6: CAGR rates comparison since CMT's IPO in 2002



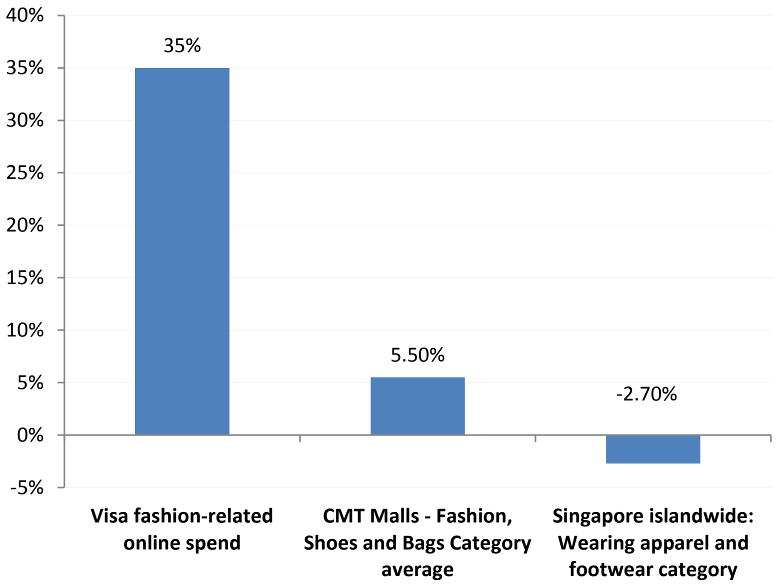
Source: Company, URA, CEIC

Structural challenges of the retail landscape:

1. **Increasing number of ecommerce sites, more aggressive promotions and increasing ease of shopping online**

In 2015, Visa saw an increase of 35 per cent in spending by Singaporeans online for fashion-related items. That same year CMT saw a 5% and 6% increase for "Fashion" and "Shoes and Bags". The Statistics Department of Singapore, which tracks tenant sales across Singapore (including tenant sales done online) reported a 2.7% drop in the "Wearing apparel and footwear" category, the closest comparable category. The stark difference in Visa's numbers highlights the amount of retail spending channelled to online sources (possibly overseas third party shopping sites such as Asos.com or Amazon).

Figure 7: 2015 YoY % growth - Visa online spending trumped brick-and-mortar and island wide sales in the fashion category

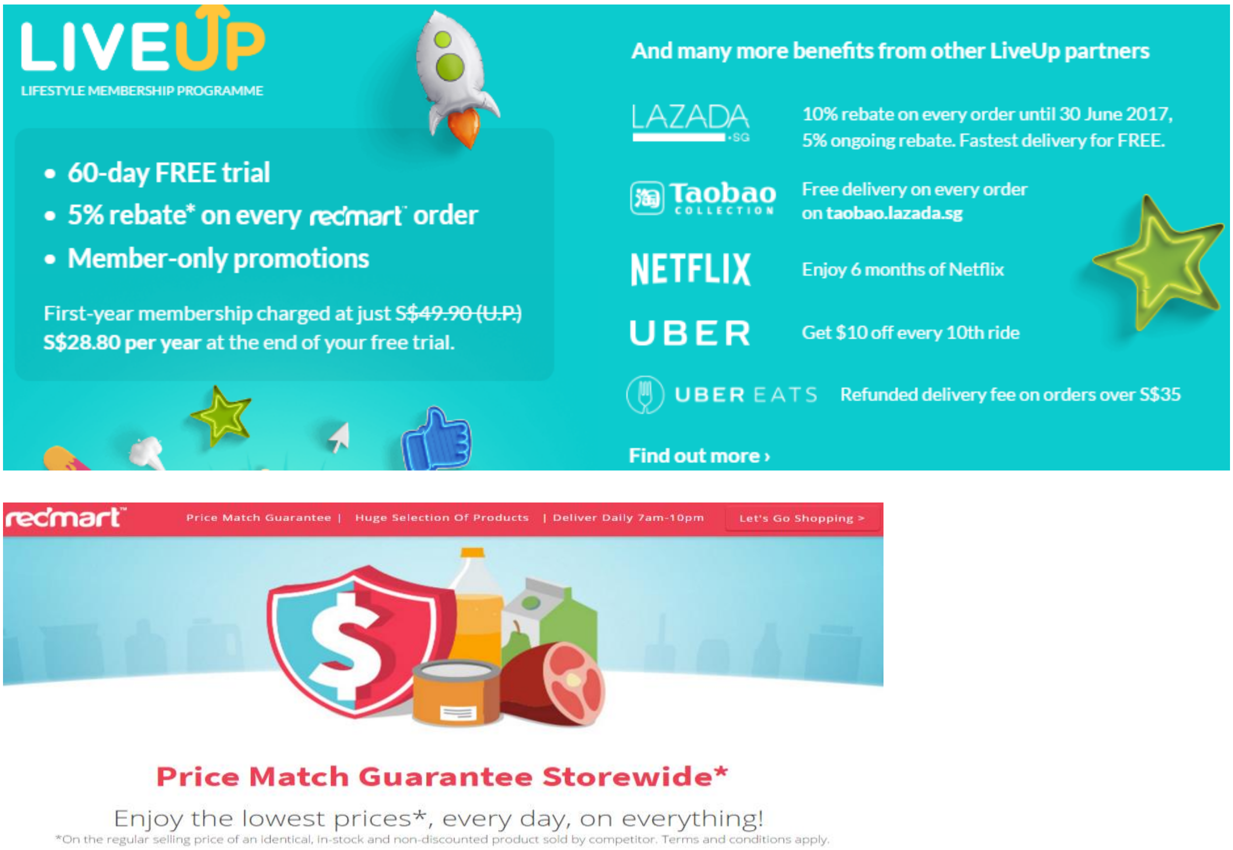


Source: Company, Visa, Singstat, PSR

According to a report by Temasek and Google, the e-commerce market in Singapore is expected to be worth US$5.4bn by 2025 from US$1bn in 2015, representing an 18.4% CAGR over the next 10 years. Singapore's overall retail sales growth averaged 2.7% over the last decade. Online shopping currently makes up 2.1% of retail sales, the highest amongst all Southeast Asian countries. In mature countries like UK and US, this percentage usually comes in at >10%.

Singapore's online sales as a percentage of total is set to increase we believe, due to the following reasons: Amazon's impending entry into Singapore in 2H17 and more aggressive promotions by e-commerce players as they vie for market share, such as free and faster deliveries, and storewide price match guarantee. Significant improvements in last mile deliveries in the future with the use of drones or autonomous ground vehicles will also greatly enhance the appeal of online shopping with more efficient delivery times. SingPost tested a mail run from mainland Singapore to Pulau Ubin last year using a drone. A McKinsey study in 2016 estimated that the future of e-commerce world will be dominated by autonomous vehicles delivering 80% of parcels, and this could happen within the next ten years.

Figure 8: Aggressive marketing by e-commerce players as they vie for market share will make online shopping even more attractive to consumers



Source: Lazada, Redmart

Figure 9: Shipping time for e-commerce deliveries set to shrink with i) increasing number of start-ups disrupting the logistics space improving efficiency ii) autonomous vehicles taking over deliveries in future

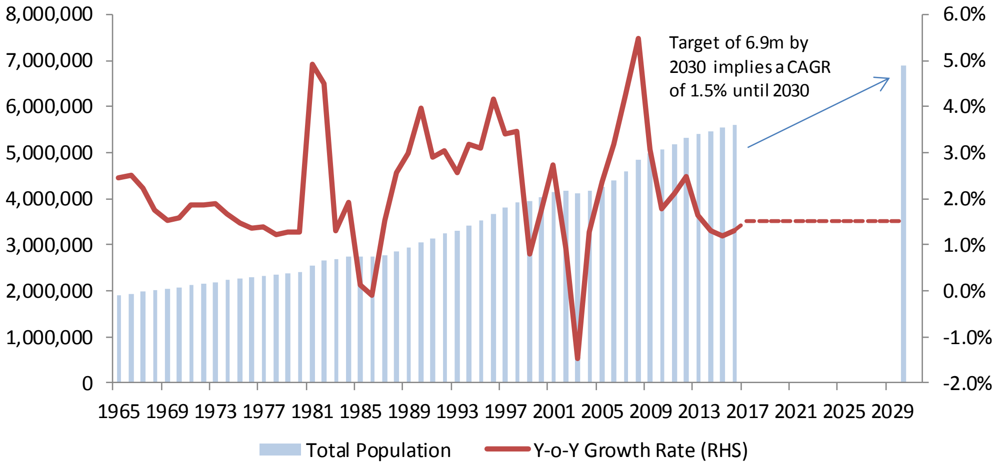
		Average Shipping Time (days)	
	Spending to qualify for free shipping	Express	Standard
ASOS	£9.28	2	7
Zalora	S$40	1	1 to 14
Amazon	$125	3 to 5	9 to 12
Lazada	Economy shipping is free for any purchase	0 to 1	1 to 3
Redmart	S$49	1 to 2	

Source: PSR

2. Slowing population growth rates, aging Singaporeans

The Singapore White Paper's projection for a 6.9mn population by 2030 implies a CAGR of c.1.5%, a slower growth than the 10 year historical average of 2.5%. Singapore's aging population also means the society is facing and will continue to face a rising old-age dependency ratio, which could slow economic growth and crimp consumption.

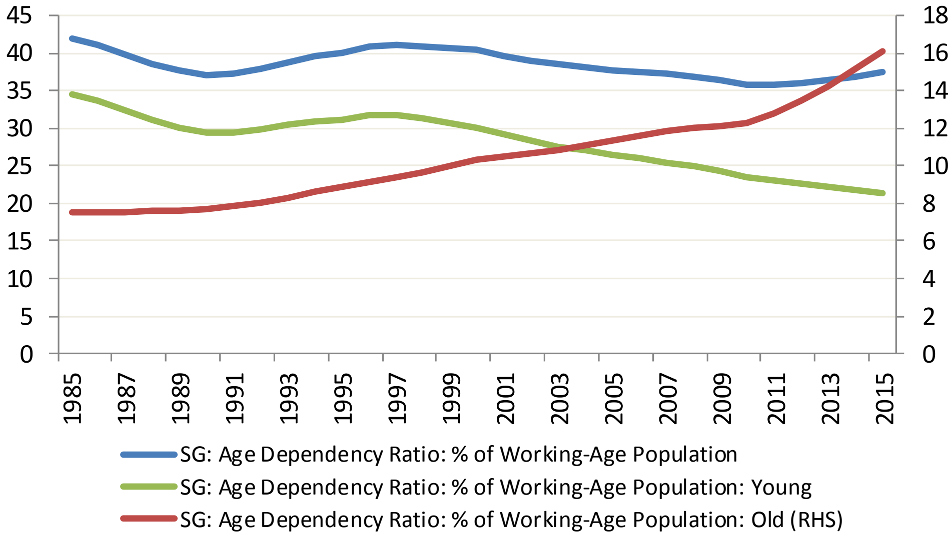
Figure 10: Slowing population growth to negatively impact retail spending



Source: Company, Phillip Securities Research (Singapore)

Singapore population growth rate	
10y average	2.50%
30y average	2.40%
CAGR to hit 6.9mn by 2030	1.50%

Figure 11: Singapore's old age dependency ratio expected to rise further



Source: CEIC, PSR

Upcoming Supply – Heavy supply in Eastern Region, expect Tampines Mall and Bedok Mall to come under pressure

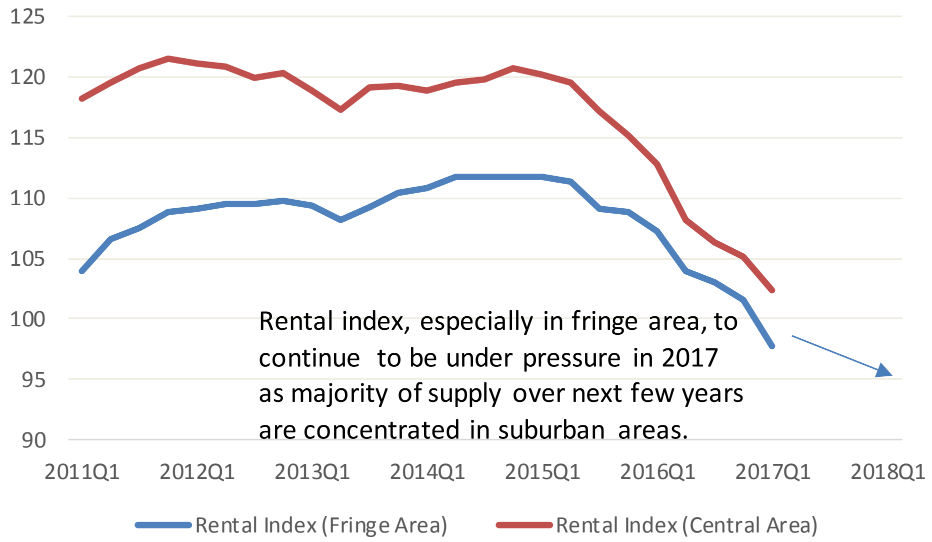
Potential supply of malls from 2017-2020 stands at c.3.3mn sq ft (or average annual supply of 800k sq ft.), with about 80% in the suburban areas. This compares with the average annual net supply of 1.3mn sq ft in the 10 years from 2006 to 2015. With major projects such as Jewel and Paya Lebar Quarter adding c.1mn sq ft of supply in the east, we expect CMT's Tampines Mall and Bedok Mall to come under further rental pressures from 2018-2019.

Figure 12: Major retail projects completing 2017-2020

Project	Location	Estimated NLA (sq ft)	Estimated completion
Marina One (The Heart)	Marina Bay	140,000	2017
Singapore Post Centre	Paya Lebar	177,000	2017
Paya Lebar Quarter	Paya Lebar	340,000	2018
Northpoint City	Yishun	330,000	2018
TripleOne Somerset Podium AEI	Somerset	70,000	2018
Jewel Changi Airport	Changi Airport	576,000	2019
Funan	North Bridge Road	324,000	2019
City Gate	Beach Road	76,000	2019
	Total	2,033,000	

Source: URA, PSR

Figure 13: Rental Index expected to be under pressure for 2017, especially for Fringe Area



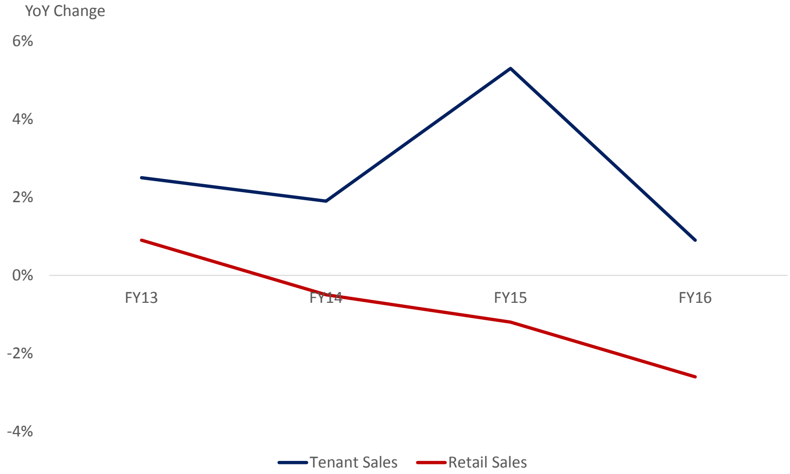
Source: URA, PSR

Company Analysis

Tenant sales continue to outperform Singapore retail sales but expect pressures moving forward

The growth in CMT's tenant sales has consistently outperformed Singapore retail sales underpinned by factors such as a high base of shoppers' traffic which is attributable to the well locality of shopping malls, where 75% of CMT's assets are directly linked to MRT stations. Additionally, it has a high base of gross rental (80% based on FY16) contributed by tenants dealing with necessity shopping. Tenant sales is a fuel for rental income and it is in the interest of the trust to boost shoppers' traffic in order to increase sales conversion from patrons of the mall. Tenant sales of CMT is less susceptible by impact from the economic environment due to a large proportion of sales being generated from necessity shopping. However, we also note that tenant sales growth has been declining in the past five years, and tenant sales is expected to face ongoing pressures amongst factors such as a structural change in the retail landscape.

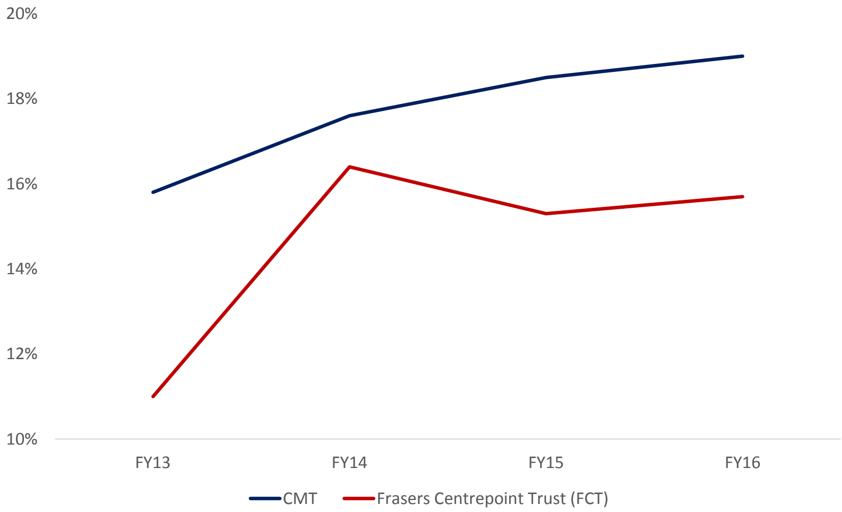
Figure 14: Growth rates comparison between CMT's tenant sales and Singapore retail sales



Source: Company, SingStat, PSR

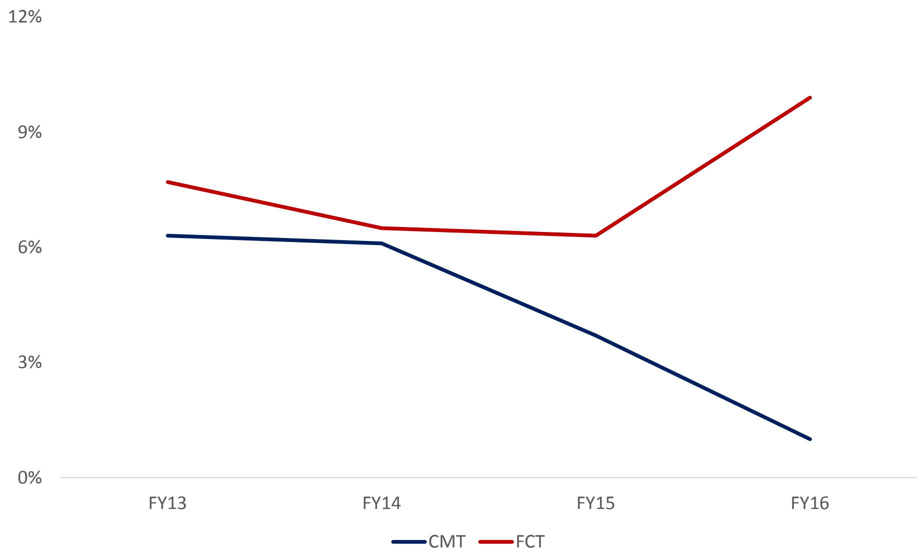
Higher occupancy costs for tenants' place pressure on growth in rental reversions
With a declining tenant sales growth in CMT, the occupancy cost has expanded to 19% in FY16. We are concerned CMT has hit a ceiling in raising occupancy cost any higher. When we compare CMT occupancy to Frasers Centrepoint Trust (FCT SP, NEUTRAL, TP S$2.04)), it translates to lesser room for CMT to negotiate for higher rentals upon lease renewals. This can be seen from declining rental reversions in CMT as opposed to more resilient rental reversions in FCT.

Figure 15: CMT may be stretching occupancy cost too much



Source: Company, PSR

Figure 16: FCT rental reversions outpacing CMT



Source: Company, PSR

Sufficient debt headroom to potentially acquire another shopping mall asset

A REIT can drive growth primarily through organic or inorganic growth. When it comes to inorganic growth this will come mainly in the form of acquisitions, there is a limit towards how much a REIT can acquire as set out by its leverage. In CMT's case, with an internal target leverage of 40% (CMT: 35.3% as at 1Q17), this gives the trust about S$840 million in debt headroom after including redevelopment costs for Funan, which is sufficient to potentially acquire another shopping mall asset in Singapore under CapitaMall Asia's portfolio.

Figure 17: Valuations of retail assets that could potentially be acquired by CMT as at FY16

Asset Name	Status	Effective Stake (%)	GFA (sqm)	Valuation (S$'mn)
Jewel Changi Airport	Under Construction	49	134,059	746
Star Vista	Completed	100	24,000	276
ION Orchard	Completed	50	87,715	3,244
ION Orchard Link	Completed	50	450	32

Source: Company, PSR

AEI and redevelopment of existing retail assets to pursue growth

While growth opportunities may be slim in terms of rental reversions and acquisitions, a REIT can choose to explore Asset Enhancement Initiatives (AEI) or redevelopment opportunities to rejuvenate the assets' attractiveness and ultimately to boost rental income. CMT has been actively pursuing AEI with two or three works completed in the past three years. In FY16, the trust has commenced redevelopment works for Funan and AEI works at Raffles City Singapore which are expected to be completed in 4Q19 and 1Q18 respectively.

Figure 18: Historical AEIs that were completed in CMT's portfolio

Year	Asset Name
FY14	Bukit Panjang Plaza, Jcube, Bugis Junction, IMM Building (Phase 1)
FY15	Sembwang Plaza, IMM Building (Phase 2), Clarke Quay
FY16	Plaza Singapura, Tampines Mall

Source: Company, PSR

Contributions from the redevelopment of Funan will only begin in 4Q19

The redevelopment of Funan involves redeveloping the former IT retail mall into an integrated development with retail, office and serviced residence components. The new development will incorporate new retail concepts and technologies to drive a more experiential shopping experience for shoppers, as well as improved connectivity via an underground passage connecting the development to City Hall MRT. When completed, Funan's NLA will double to 0.6 million sqft from 0.3 million sqft as a result of higher efficiency and gross plot ratio. The estimated redevelopment cost is S$560 million and is expected to generate a 6.5% ROI where the asset could bring in an additional S$36.6 million in NPI per annum (c.8% of FY16 NPI). Contributions from the development will only take place after the asset begins to operate in 4Q19.

AEI on Raffles City Shopping Centre to refresh and enhance shopping experience

CMT has embarked on AEI works in 3Q16 on the interior of Raffles City Shopping Centre. The works involve refreshing the main entrance, refurbishing certain mall facilities and revamping the Central Atrium on Level 3. Works are expected to be complete by 1Q18 and estimated to amount to S$54 million. As works are primarily superficial, we are not expecting a direct boost to rental income, but rather with an objective to keep the asset relevant to evolving trends and enhance shopping experience in the asset.

Risks

Upside

- Stronger than expected economic growth and employment situation in Singapore leading to stronger pickup in retail spending
- Slower than expected Fed raising of interest rates leading to longer low interest rate environment

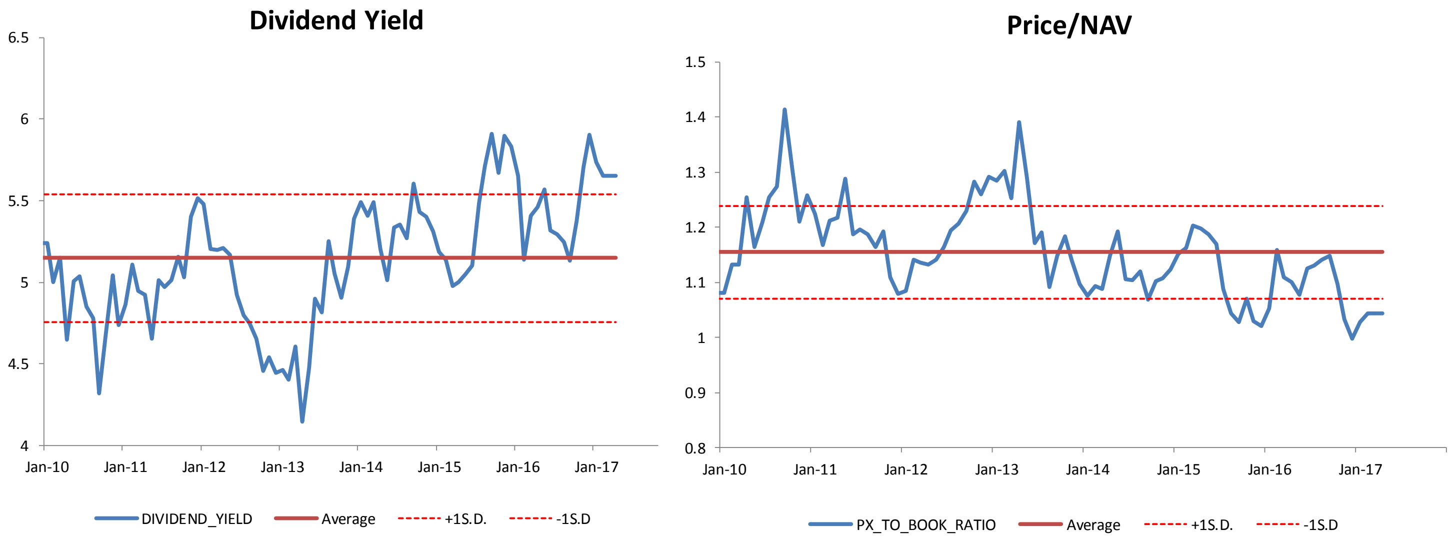
Downside

- Weaker than expected employment and housing market in Singapore affecting sentiment and retail spending
- Faster Fed rate hikes than expected increasing costs of borrowing for CMT, and lowering the appeal of yield instruments

Valuation

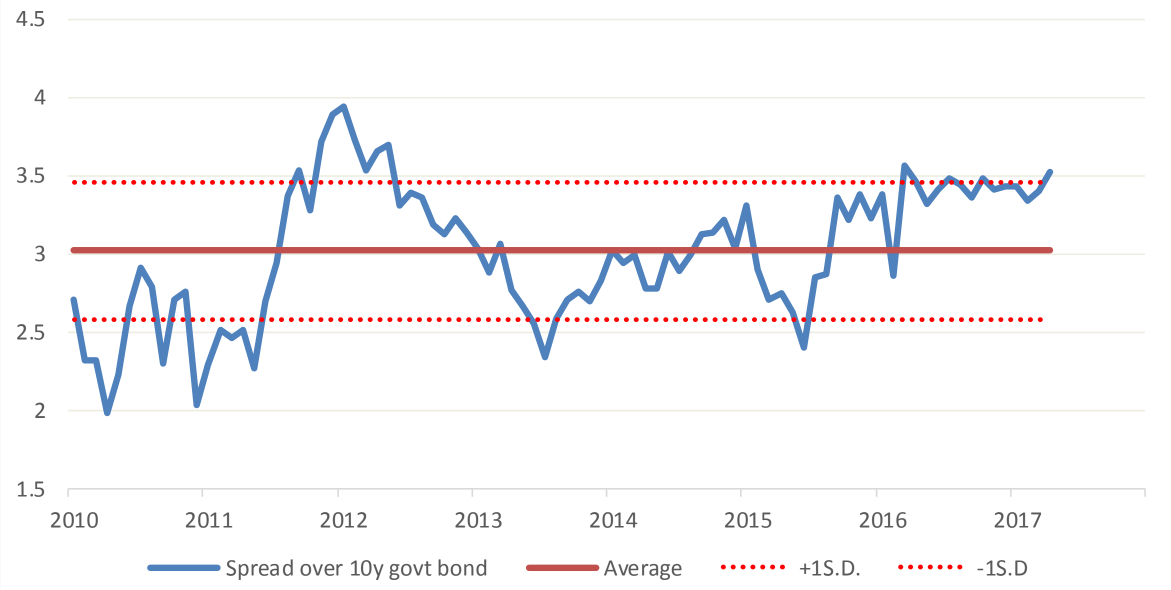
We initiate coverage with a NEUTRAL rating and a DDM-derived target price of S$2.01. We have assumed a risk free rate of 3.1% and terminal growth of 1.5% in our forecasting.

Figure 19: Historical Dividend Yield and Price/NAV



Source: Bloomberg, Phillip Securities Research (Singapore)

Figure 20: CMT's spread over 10y SGS bond now at close to +1s.d. level



Source: Bloomberg, Phillip Securities Research (Singapore)

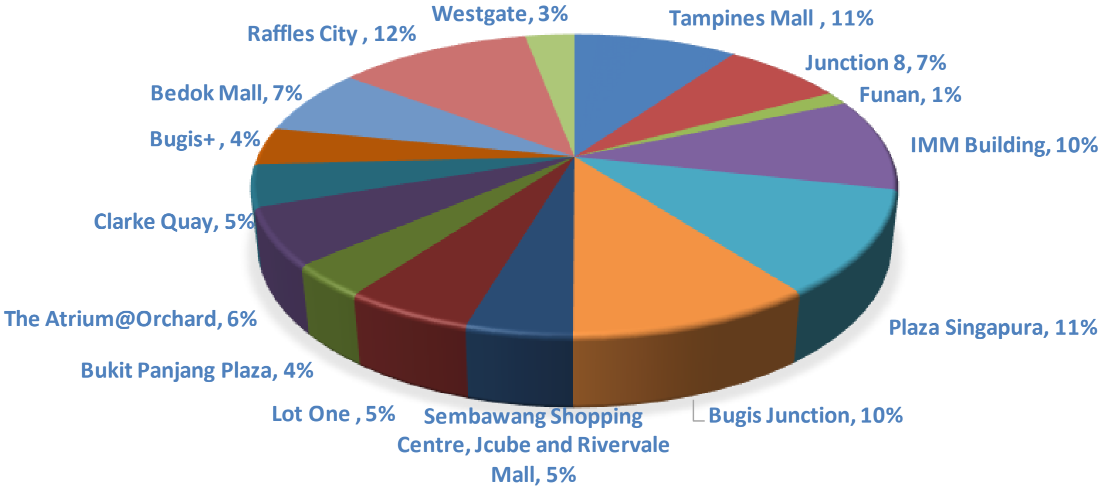
Figure 21: Peer comparison table

Name	PSR CALL	Mkt Cap (SGD mn)	Last Close ($)	Dvd Yld:D-1	P/B	Latest Gearing (%)	Average Cost of debt
CAPITALAND MALL TRUST	NEUTRAL	6,860	1.94	5.75	1.03	35.3	3.20%
FRASERS CENTREPOINT REIT	NEUTRAL	1,936	2.10	5.61	1.09	29.4	2.20%
CAPITALAND RETAIL CHINA TRUST	NEUTRAL	1,395	1.57	6.42	1.00	35.1	2.49%
SPH REIT		2,568	1.01	5.48	1.07	25.5	2.79%
MAPLETREE COMMERCIAL TRUST		4,444	1.55	5.56	1.12	36.4	2.66%
STARHILL GLOBAL REIT		1,647	0.76	6.66	0.82	34.8	3.17%
SUNTEC REIT		4,856	1.84	5.48	0.85	36.4	2.42%

Source: Bloomberg (Updated 7 June 2017), Company 1QCY Results Slides, PSR

Appendix

Figure 22: Contributing % of individual malls as proportion of FY16 total mall revenue



Note: Rivervale Mall divested in Dec 2015, Raffles City (40% interest) and Westgate (30% interest) held under Joint Ventures

Figure 23: Percentage of total rent by sector

Percentage of Rent (%)	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Food & Beverage	23.5	25.4	27.3	27.5	27.7	27.3	29.0	30.0
Fashion	14.0	12.1	13.6	15.0	14.8	14.6	14.1	13.4
Beauty & Health	8.6	8.7	9.0	9.5	9.7	10.1	10.4	10.8
Services	6.9	6.4	6.7	6.0	6.5	6.7	6.8	6.4
Department Store	5.8	5.3	5.7	5.7	6.1	5.6	5.6	6.1
Gifts/Toys & Hobbies/Books/Sporting Goods	4.6	4.3	4.6	4.6	4.9	5.2	5.2	5.4
Leisure & Entertainment/Music & Video	3.6	5.8	6.1	6.5	5.6	5.5	4.4	4.6
Shoes & Bags	3.1	3.4	3.0	4.0	4.1	4.5	4.6	4.3
Supermarkets	5.2	5.1	5.0	3.6	3.5	3.8	3.9	4.1
Office	9.1	8.8	3.7	4.0	3.5	3.4	3.1	3.1
Jewellery & Watches	3.4	3.4	3.1	2.8	2.6	2.6	2.6	2.7
Houseware & Furnishings	3.2	2.9	2.8	2.9	2.9	2.6	2.5	2.6
Electrical & Electronics	3.3	2.7	2.6	2.3	2.3	2.3	2.2	1.8
Education	—	—	—	1.1	1.2	1.3	1.3	1.4
Warehouse	—	1.6	—	1.3	1.2	1.3	1.3	1.4
Information Technology	2.8	3.0	2.8	2.5	2.6	2.5	2.3	1.2
Others	2.9	1.1	4.0	0.7	0.8	0.7	0.7	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bloomberg, PSR

Figure 24: Historical Cap Rates

Capitalization Rate	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Funan DigitaLife Mall	5.90	5.90	5.65	5.65	5.50	5.50	5.50	
IMM Building - Warehouse	7.85	7.85	7.75	7.75	7.50	7.50	7.50	7.50
IMM Building - Retail	6.60	6.60	6.50	6.50	6.50	6.50	6.50	6.50
Bugis+	—	—	—	5.85	5.70	5.70	5.70	5.70
Sembawang Shopping Centre	—	—	—	—	—	—	5.55	5.55
JCube	—	—	—	5.75	5.60	5.60	5.50	5.50
Clarke Quay	—	5.90	5.65	5.65	5.50	5.50	5.50	5.50
Bukit Panjang Plaza	5.85	5.85	5.60	5.60	5.45	5.45	5.45	5.45
Lot One Shoppers' Mall	5.75	5.75	5.50	5.50	5.35	5.35	5.35	5.35
Bugis Junction	5.75	5.75	5.50	5.50	5.35	5.35	5.35	5.35
Junction 8	5.75	5.75	5.50	5.50	5.35	5.35	5.35	5.35
Tampines Mall	5.75	5.75	5.50	5.50	5.35	5.35	5.35	5.35
The Atrium Orchad - Retail	5.50	5.75	5.50	5.50	5.25	5.25	5.25	5.25
Raffles City Singapore - Retail	5.60	5.50	5.40	5.40	5.25	5.25	5.25	5.25
Westgate	—	—	—	—	5.35	5.35	5.20	5.20
Bedok Mall	—	—	—	—	—	—	5.20	5.20
Raffles City Singapore - Hotel	5.85	5.75	5.75	5.75	5.55	5.25	5.13	5.11
Plaza Singapura	5.50	5.50	5.25	5.25	5.00	5.00	5.00	5.00
Raffles City Singapore - Office	4.50	4.50	4.50	4.25	4.25	4.25	4.25	4.25
The Atrium Orchad - Office	4.40	4.25	4.15	4.15	4.00	4.00	4.00	4.00
IMM Building - Office	6.85	6.85	6.75	6.75	6.25	6.25	6.25	—
Rivervale Mall	6.00	—	—	—	—	—	—	—

Source: Bloomberg, PSR

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
Gross Revenue	**669**	**690**	**684**	**692**	**700**
Total Property expenses	(203)	(210)	(204)	(206)	(209)
Net Property Income	**466**	**480**	**480**	**485**	**491**
Net Finance (Expense)/Inc	(92)	(95)	(98)	(99)	(103)
Net Income before tax and FV changes	329	336	332	336	338
Share of results from associate	18	15	15	15	15
Share of results from JV	54	52	52	53	54
Tax expense	(1)	(1)	(1)	(1)	(1)
Net Income after tax and FV changes	**401**	**403**	**399**	**404**	**407**
Distributable income to unitholders	**392**	**394**	**396**	**400**	**404**

Per share data (SGD)

Y/E Dec	FY15	FY16	FY17e	FY18e	FY19e
NAV	1.89	1.89	1.91	1.88	1.85
DPU (cents)	11.3	11.1	11.2	11.3	11.4

Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
ASSETS					
Investment properties	8366	8064	8064	8064	8064
Trade and Other Receivables	29	34	29	31	31
Cash and Cash Equivalents	604	483	483	356	236
Total Assets	**10356**	**10327**	**10422**	**10312**	**10192**
LIABILITIES					
Trade and other payables	144	160	153	153	155
Interest bearing borrowings	3312	3288	3288	3288	3288
Other liabilities	206	186	202	198	195
Total Liabilities	**3663**	**3635**	**3644**	**3639**	**3639**
EQUITY					
Shareholder Equity	**6693**	**6692**	**6778**	**6672**	**6553**

Cash Flow

Y/E Dec, SGD mn	FY15	FY16	FY17e	FY18e	FY19e
CFO					
Net Income after tax	401	403	399	404	407
Adjustments	21	29	32	33	35
WC changes	1	1	2	1	(3)
Cashflow from ops	422	433	433	438	439
CFI					
Capex, net	(95)	(76)	(152)	(166)	(46)
Others	(369)	103	(1)	(1)	(1)
Cashflow from investments	(464)	27	(153)	(167)	(47)
CFF					
Share issuance	(2)	(4)	(4)	(3)	(3)
Proceeds from bank borrowings, net	12	(82)	100	120	-
Distributions to unitholders	(389)	(394)	(396)	(400)	(404)
Cashflow from financing	**(484)**	**(581)**	**(407)**	**(391)**	**(517)**
Net change in cash	**(525)**	**(121)**	**(127)**	**(120)**	**(124)**
CCE, end	**1,130**	**604**	**483**	**356**	**236**

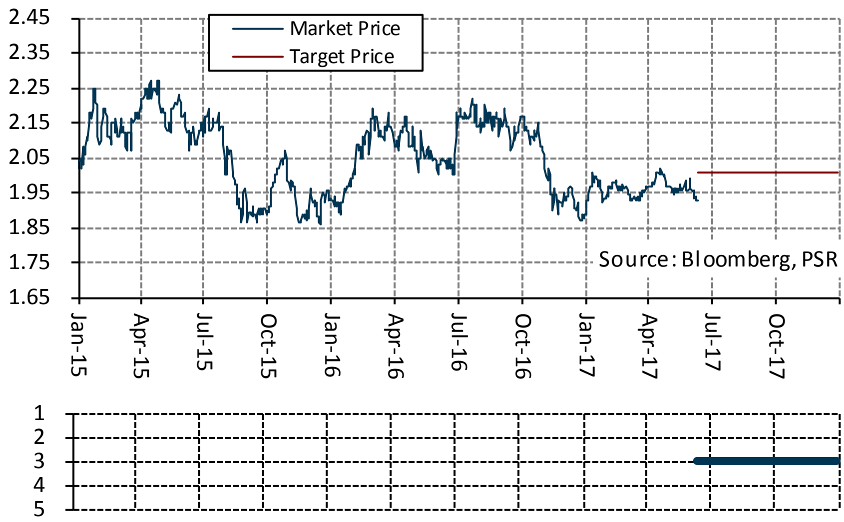
Valuation Ratios

Y/E Dec	FY15	FY16	FY17e	FY18e	FY19e
P/NAV	1.02	1.02	1.00	1.02	1.04
Distribution yield (%)	5.9%	5.8%	5.8%	5.9%	5.9%
NPI yield (%)	5.6%	5.9%	6.0%	6.0%	6.1%
Growth & Margins (%)	**FY15**	**FY16**	**FY17e**	**FY18e**	**FY19e**
Growth					
Revenue	1.5%	3.1%	-0.8%	1.1%	1.2%
Net property income (NPI)	4.0%	2.9%	0.0%	1.1%	1.2%
DPU	3.8%	-1.1%	0.5%	0.8%	0.9%
Margins					
NPI margin	69.7%	69.5%	70.2%	70.2%	70.2%
Operating Income Margin	62.8%	62.4%	62.8%	62.9%	63.0%
Key Ratios					
ROA	3.9%	3.9%	3.8%	3.9%	4.0%
ROE	6.0%	6.0%	5.9%	6.1%	6.2%
Net Gearing	35.4%	34.8%	38.2%	38.1%	38.1%

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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