

Croesus Retail Trust

Rental uplift at Mallage Shobu to drive yield performance

SINGAPORE | REAL ESTATE BUSINESS TRUST | UPDATE

8 April 2015

Highlights

- Transformation of Mallage Shobu to drive rental growth
- Strong fundamentals and Japan's promising macro-environment to sustain high dividend yield
- Maintain BUY with TP\$1.08

What is the news?

We recently made a company site visit to Japan and visited 5 of the CRT's malls (One's Mall, AEON Town Moriya, Croesus Tachikawa, Luz OMORI and Mallage Shobu) to gain a better understanding of the Japan retail scene. At the same time, we also attended the Grand Renewal Ceremony at Mallage Shobu on 28 March 2015 and experienced the hustle and bustle of the mall after the tenant renewal and asset enhancement exercise. An overall positive rental reversion of double digit growth is expected for the revamped Mallage Shobu. We maintain a BUY rating for CRT with DDM-based TP\$1.08.

New outlook for Mallage Shobu - Mallage Shobu is currently undergoing a major tenant renewal exercise with 155 out of 242 tenants leases expired in 2015. Out of these 155, there are 69 new brand additions, 28 tenant relocations and 58 renewed leases. As the mall was in opened in 2008 during the Global Financial Crisis and the expiring leases were contracted at a suppressed rental rate compared to the current market, most of the renewed or new leases are contracted at a significant higher rate. The rent upside varies, depending on store locations or brands. Concurrently, CRT's team took the opportunity to enhance the tenant mix with the introduction of well-known brands such as KOE (a popular fashion apparel brand launched in 2014), MUJI (an internationally renowned household and consumer goods retailer) and Toys 'R' Us to attract various visitor age groups in the vicinity. From what we observed, Mallage Shobu was enjoying a healthy crowd with its 6000-lots car park nearly full when we arrived. The visitor's footfall count is estimated at 20,000 daily (weekday) and 50,000 daily (weekends). Beside higher fixed rental base, most of the new leases' rental structure includes a GTO component. The trustee manager anticipates the overall rental growth to be 12-15% for the mall upon the completion of tenant renewal in September 2015.

Potential growth driver from One's Mall - CRT acquired One's Mall in October 2014 with an initial NPI yield of 5.8% and an occupancy rate of 99.3%. The current passing rent for the mall is estimated to be 20-30% lower than the average market passing rent. The average WALE of the mall is about five years and the major tenants are Daiei, Central Sports, Toys 'R' Us, Nitori and Sports Depo. Per our understanding, the mall has a sizeable catchment of 300K-400K residential population. Given that major tenants are occupying 80% of the NLA, there is room for rental upside should the mall undergo asset enhancement initiative to increase the individual tenant base. A change in tenant mix to offer more services and products could definitely draw a larger crowd, thus driving for higher rental income.

Investment Actions

We continue to favour CRT for its resilient income from its balanced mix of suburban and urban malls portfolio, sustainable high yield of 8% and value appreciation of portfolio from continual cap rate compression. Reiterate a BUY rating with DDM-based TP\$ 1.08.

BUY (Maintain)

CLOSING PRICE	SGD 0.940
FORECAST DIV	SGD 0.08
TARGET PRICE	SGD 1.08
TOTAL RETURN	23.4%

COMPANY DATA

O/S SHARES (MN) :	516
MARKET CAP (USD mn / SGD mn) :	359 / 485
52 - WK HI/LO (SGD) :	103 / 0.88
3M Average Daily T/O (mn) :	0.61

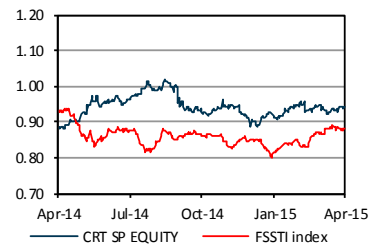
TOP FIVE SHAREHOLDERS (%)

TARGET ASSET MGMT PTE LTD	7.5%
DBS BANK LTD	6.5%
AR CAPITAL PTE LTD	4.7%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(0.5)	4.3	15.9
STIRETURN	1.70	2.81	11.58

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

JPY MN	FY 14	FY 15F	FY 16F	FY 17F
Revenue	6,261	7,499	8,332	8,625
EBIDTA	3,531	4,184	4,536	4,701
NPAT (adj.)	3,180	3,411	3,736	3,984
EPS (adj.)	5.20	5.02	5.79	6.30
PER, x (adj.)	15.0	16.8	14.5	13.3
P/BV, x	10	11	11	11
DPS (SG cents)	9.0	8.1	7.7	7.7
Div Yield, %	8%	9%	8%	8%
ROE, %	15%	8%	8%	8%

Source: Bloomberg, PSR est.

Valuation Method

DDM

Caroline Tay (+65 65311792)
carolinetayyy@phillip.com.sg

One's Mall

Facade and surrounding residential houses. Right: A brand sale event at the atrium.



Lifestyle stores such as fitness centre, hobby store, furniture mall and a resting area located at the 3rd floor.



Anchor tenant supermarket and department store operator, Daiei occupies about 1/3 of the mall's NLA.



AEON Town Moriya

Left: Exterior. Middle and Right: Popular stores like DAISO, MUJI and Uniqlo in the mall.



An arcade, cinema and food court located at the 2nd floor



Croesus Tachikawa

Located beside the Tachikawa Station, Croesus Tachikawa is 100% occupied. The anchor tenant is a pachinko outlet, occupying 4 floors (30% of the NLA). Other tenants include restaurants, bank and service outlets.



Luz Omori

Located along a busy street in Ota Ward, Luz Omori is 97.2% occupied. 28.4% of NLA is leased to Ota Ward (government services). Other tenants include service outlets, restaurants and retail stores. Right: Vacant space on the 3rd floor.



Mallage Shobu

Left: Facade of the mall. Right: The 6000-lots carpark was nearly full on a weekend.



New tenants include renowned brands like KOE and MUJI. Right: Popular fashion apparel brand GU expanded its store frontage.



Mallage Shobu Grand Renewal Opening Ceremony. Left: Ribbon-cutting ceremony by Mayor of Kuki City in Saitama Prefecture and CRT's management team. Right: Guest performance by popular Japanese rap and hip-hop artist SEAMO



Financials

Income Statement

Y/E Jun, JPY mn	FY14	FY15e	FY16e	FY17e
Revenue	6,261	7,499	8,332	8,625
EBITDA	3,531	4,184	4,536	4,701
Depreciation & Amortisation	-267	-55	0	0
EBIT	3,264	4,129	4,536	4,701
Net Finance (Expense)/Inc	-705	-880	-876	-730
Other items	3,784	743	0	0
Associates & JVs	0	0	0	0
Exceptional items	0	0	0	0
Profit Before Tax	6,343	3,991	3,660	3,972
Taxation	-1,551	-838	-659	-675
Profit After Tax	4,793	3,153	3,001	3,297
Distribution adjustments	-1,613	257	735	688
Income available for distribution	3,180	3,411	3,736	3,984

Per share data JPY

Y/E Jun, JPY mn	FY14	FY15e	FY16e	FY17e
EPS, reported	11.22	6.34	5.79	6.30
EPS, adj.	5.20	5.02	5.79	6.30
DPS (SGD Cents)	8.98	8.06	7.70	7.69
BVPS	75.8	77.8	74.9	75.3

Cash Flows

Y/E Jun, JPY mn	FY14	FY15e	FY16e	FY17e
CFO				
Profit before tax	6,343	3,991	3,660	3,972
Adjustments	-2,354	592	1,282	1,140
WC changes	-2,661	-2,378	363	110
Cash generated from ops	1,328	2,205	5,305	5,222
Others	-419	-1,270	-1,315	-1,206
Cashflow from ops	909	935	3,990	4,016
CFI				
CAPEX, net	-66,053	-11,403	-122	-82
Others	0	-87	0	0
Cashflow from investments	-66,053	-11,490	-122	-82
CFF				
Share issuance	31,171	6,086	0	0
Loans, net of repayments	41,537	6,252	-600	-501
Dividends paid	-1,810	-3,150	-3,277	-3,156
Others	-3,000	-344	0	0
Cashflow from financing	67,898	8,844	-3,877	-3,657
Net change in cash	2,754	-1,711	-10	277
Effects of exchange rates	0	-7	0	0
CCE, end	2,754	1,036	1,027	1,303

Source: Company Data, PSR est

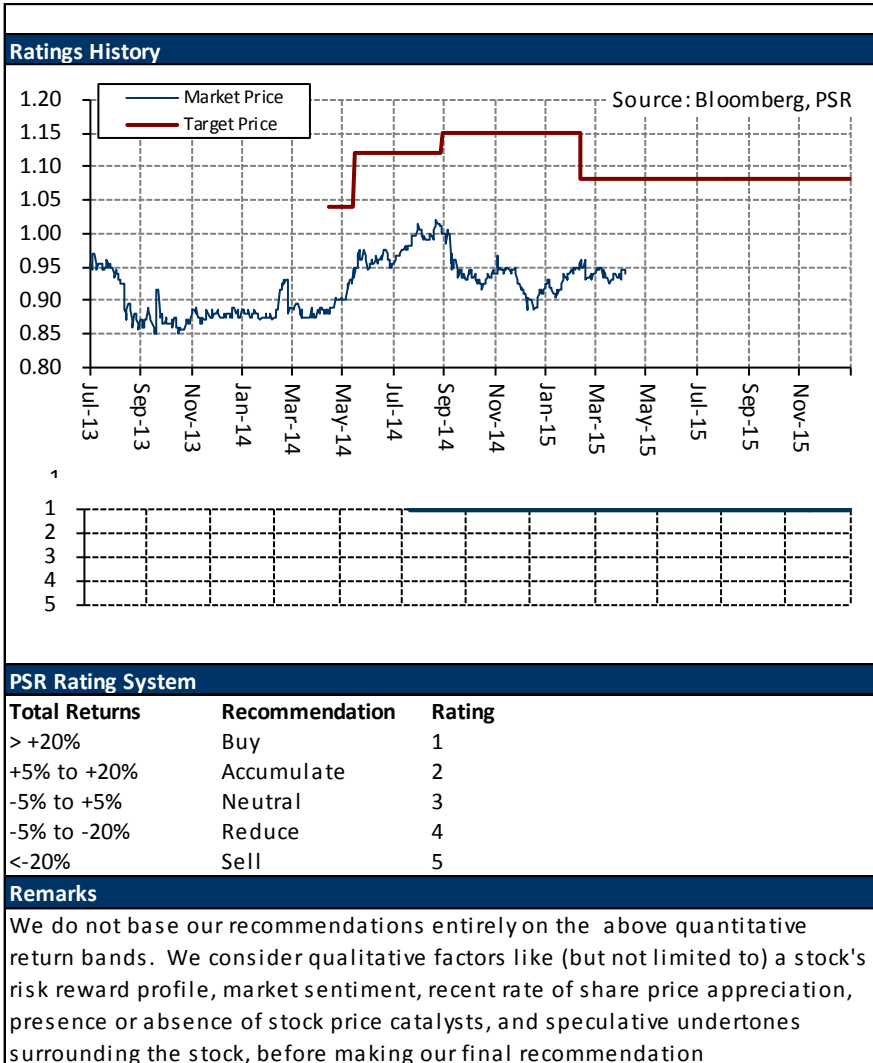
*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

Balance Sheet

Y/E Jun, JPY mn	FY14	FY15e	FY16e	FY17e
ASSETS				
Investment properties	69,870	81,621	81,743	81,825
Non-current restricted cash	2,053	3,726	3,726	3,726
Others	282	282	282	282
Total non-current assets	72,205	85,629	85,751	85,833
Cash and cash equivalent	2,754	1,036	1,027	1,303
Receivables	708	600	667	690
Current restricted cash	2,755	4,254	4,254	4,254
Others	129	405	405	405
Total current assets	6,346	6,295	6,352	6,652
Total Assets	78,551	91,923	92,103	92,485
LIABILITIES				
Short term loans	358	1,000	8,177	24,700
Trades and other payables	885	1,154	1,327	1,381
Others	681	919	919	919
Total current liabilities	1,924	3,073	10,423	27,000
Long term loans	40,244	45,690	37,913	20,888
Others	3,990	4,460	4,936	5,214
Total non-current liabilities	44,234	50,150	42,849	26,103
EQUITY				
Non-controlling interest	0	0	0	0
Shareholder Equity	32,394	38,701	38,831	39,382

Valuation Ratios

Y/E Jun, JPY mn	FY14	FY15e	FY16e	FY17e
P/E (X), adj.	15.0	16.8	14.5	13.3
P/B (X)	1.0	1.1	1.1	1.1
EV/EBITDA (X)	20.1	20.9	19.5	18.8
Dividend Yield (%)	8.2%	8.6%	8.2%	8.2%
Growth & Margins (%)				
Growth				
Revenue	NA	19.8%	11.1%	3.5%
EBITDA	NA	18.5%	8.4%	3.6%
EBIT	NA	26.5%	9.9%	3.6%
Net Income, adj.	NA	7.3%	9.5%	6.6%
Margins				
EBITDA margin	56.4%	55.8%	54.4%	54.5%
EBIT margin	52.1%	55.1%	54.4%	54.5%
Net Profit Margin	76.5%	42.0%	36.0%	38.2%
Key Ratios				
ROE (%)	14.8%	8.1%	7.7%	8.4%
ROA (%)	6.1%	3.4%	3.3%	3.6%
Net Debt/(Cash)	37,848	45,653	45,063	44,285
Net Gearing (X)	48%	50%	49%	48%



Management		Contact Information (Singapore Research Team)	
Chan Wai Chee (CEO, Research - Special Opportunities)	yebo@phillip.com.sg	Research Operations Officer Jaelyn Chin	chinjn@phillip.com.sg
Macro Equities Soh Lin Sin Bakhteyar Osama	sohls@phillip.com.sg osama@phillip.com.sg	Market Analyst Equities Kenneth Koh	kennethkohwk@phillip.com.sg
Finance Offshore Marine Benjamin Ong	benjaminongcw@phillip.com.sg	Real Estate Caroline Tay	carolinetayyy@phillip.com.sg
Transport & Logistics Richard Leow, CFTe	richardleowwt@phillip.com.sg	Consumer Shane Goh	shanegohla@phillip.com.sg
		US Equities Wong Yong Kai	wongyk@phillip.com.sg
		REITs Dehong Tan	tandh@phillip.com.sg

Contact Information (Regional Member Companies)

<p>SINGAPORE Phillip Securities Pte Ltd Raffles City Tower 250, North Bridge Road #06-00 Singapore 179101 Tel +65 6533 6001 Fax +65 6535 6631 Website: www.poems.com.sg</p>	<p>MALAYSIA Phillip Capital Management Sdn Bhd B-3-6 Block B Level 3 Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel +603 2162 8841 Fax +603 2166 5099 Website: www.poems.com.my</p>	<p>HONG KONG Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway Hong Kong Tel +852 2277 6600 Fax +852 2868 5307 Websites: www.phillip.com.hk</p>
<p>JAPAN Phillip Securities Japan, Ltd. 4-2 Nihonbashi Kabuto-cho Chuo-ku, Tokyo 103-0026 Tel +81-3 3666 2101 Fax +81-3 3666 6090 Website: www.phillip.co.jp</p>	<p>INDONESIA PT Phillip Securities Indonesia ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A Jakarta 10220 – Indonesia Tel +62-21 5790 0800 Fax +62-21 5790 0809 Website: www.phillip.co.id</p>	<p>CHINA Phillip Financial Advisory (Shanghai) Co Ltd No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel +86-21 5169 9200 Fax +86-21 6351 2940 Website: www.phillip.com.cn</p>
<p>THAILAND Phillip Securities (Thailand) Public Co. Ltd 15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel +66-2 6351700 / 22680999 Fax +66-2 22680921 Website www.phillip.co.th</p>	<p>FRANCE King & Shaxson Capital Limited 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel +33-1 45633100 Fax +33-1 45636017 Website: www.kingandshaxson.com</p>	<p>UNITED KINGDOM King & Shaxson Capital Limited 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS Tel +44-20 7426 5950 Fax +44-20 7626 1757 Website: www.kingandshaxson.com</p>
<p>UNITED STATES Phillip Futures Inc 141 W Jackson Blvd Ste 3050 The Chicago Board of Trade Building Chicago, IL 60604 USA Tel +1-312 356 9000 Fax +1-312 356 9005 Website: www.phillipusa.com</p>	<p>AUSTRALIA Phillip Capital Limited Level 12, 15 William Street, Melbourne, Victoria 3000, Australia Tel +61-03 9629 8288 Fax +61-03 9629 8882 Website: www.phillipcapital.com.au</p>	<p>SRI LANKA Asha Phillip Securities Limited No-10 Prince Alfred Tower, Alfred House Gardens, Colombo 03, Sri Lanka Tel: (94) 11 2429 100 Fax: (94) 11 2429 199 Website: www.ashaphillip.net</p>
<p>INDIA PhillipCapital (India) Private Limited No.1, 18th Floor Urmi Estate 95, Ganpatrao Kadam Marg Lower Parel West, Mumbai 400-013 Maharashtra, India Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969 Website: www.phillipcapital.in</p>	<p>TURKEY PhillipCapital Menkul Degerler Dr. Cemil Bengü Cad. Hak Is Merkezi No. 2 Kat. 6A Caglayan 34403 Istanbul, Turkey Tel: 0212 296 84 84 Fax: 0212 233 69 29 Website: www.phillipcapital.com.tr</p>	<p>DUBAI Phillip Futures DMCC Member of the Dubai Gold and Commodities Exchange (DGCX) Unit No 601, Plot No 58, White Crown Bldg, Sheikh Zayed Road, P.O.Box 212291 Dubai-UAE Tel: +971-4-3325052 / Fax: + 971-4-3328895 Website: www.phillipcapital.in</p>

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.