

Croesus Retail Trust

Blackstone Privatisation Offer



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SINGAPORE | REAL ESTATE (REIT) | UPDATE

29 June 2017

- Offer from Blackstone Group to acquire all the units in CRT for S\$1.17.
- Offer price represents a 38% premium to one-year VWAP and 23% premium to Net Asset Value (NAV) as at 31 March 2017.
- Unitholders will still be entitled to another up to SG4.06 cents dividend assuming effective date falls on or before 31 Oct 2017.

What is the news?

- Blackstone Group offer price at S\$1.17/unit.** Blackstone Group has made an offer to acquire all units of Croesus Retail Trust (CRT) for S\$1.17 per unit. This offer is excluding a SG4.06 cents dividend.
- Premium to NAV close to average premium of listed retail J-REITs.** We note that the offer price, at 1.23x NAV, is close to the average of 1.28x for listed retail J-REITs in Tokyo which we highlighted in our previous results note last month. Inclusive of the SG4.06 cents dividend, the offer price/NAV would have been 1.27x.
- Clear drivers of DPU growth until 2019, expected continued cap rate compression likely to be motivation behind Blackstone offer.** Continued cap rate compressions across Japanese retail properties since Abenomics and loose monetary policies were launched in Jan 2013 have supported the 18% upward revaluation in CRT's portfolio from 2013-2016. We think the expectation of continued loose monetary policies and further cap rate compression amidst a recovering Japanese economy supported by improving consumption and tourism ahead of the Tokyo 2020 Olympics are likely factors behind the Blackstone offer. The clear drivers of DPU growth over the next few years, even without acquisitions, from manager internalization savings, favourable forward hedge rates, and interest cost savings would also have been likely contributors.

Investment Action:

- Accept the offer. Ceasing coverage upon successful privatisation.** At an 8% premium to our last target price of S\$1.08 and a 27% premium to latest NAV (inclusive of SG 4c dividend), the offer price is close to the average premium for listed retail J-REITs. We deem the buyout offer a fair price and advise investors to accept the offer.

Accept the Offer

LAST CLOSE PRICE	SGD 1.18
OFFER PRICE (Excl SG4c div)	SGD 1.17
PREVIOUS TARGET PRICE	SGD 1.08

COMPANY DATA

O/S SHARES (MN):	772
MARKET CAP (USD mn / SGD mn):	654 / 907
52 - WK HI/LO (SGD):	1.19 / 0.79
3M Average Daily T/O (mn):	199

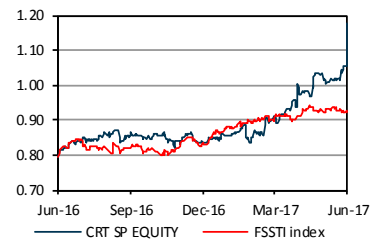
TOP FIVE SHAREHOLDERS (%)

GKG INVESTMENT HOLDINGS PTE	5.9%
DBS GROUP HOLDINGS	5.5%
VALUE PARTNERS LTD	4.8%
BLACKROCK	4.6%
TARGET ASSET MANAGEMENT	3.5%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	19	17.9	42.2
STIRETURN	0.00	4.14	22.33

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E June	FY 15	FY 16	FY 17e	FY 18e
Revenue (JP Ymn)	7,635	9,581	12,328	12,337
NPI	4,681	5,449	6,608	6,612
Inc Av for Dist.	3,358	3,981	4,523	4,642
P/BV, x	0.90	0.84	1.05	1.07
DPU (SG cents)	8.1	7.1	7.5	8.3
Div Yield, %	9.6%	8.9%	7.5%	8.3%
Gearing	47.3%	45.3%	45.8%	45.6%

Source: Bloomberg, PSR est.

Valuation Method

DDM (Cost of equity 8.5%, Terminal Growth 1%)

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Figure 1: List of alternative REITS/Business Trusts/Property Developers under PSR coverage

Name	PSR CALL	PSR Target Price (\$)	Mkt Cap (SGD mn)	Last Close (\$)	Dvd Yld:D-1	P/B	Latest Gearing (%)
REITS/BUSINESS TRUSTS							
ASIAN PAY TV	BUY	0.64	819	0.57	11.40	0.65	47.7
DEVELOPERS							
CAPITALAND LIMITED	ACCUMULATE	4.19	14865	3.50	2.86	0.84	32.5
CITY DEVELOPMENT LIMITED	ACCUMULATE	11.07	9739	10.71	1.49	1.09	29.0
HO BEE LAND	ACCUMULATE	2.64	1578	2.37	2.53	0.56	30.6
CHIP ENG SENG	BUY	0.9	453	0.73	5.48	0.59	52.5
HOCK LIAN SENG	ACCUMULATE	0.57	255	0.50	25.00	1.03	4.2

Source: Bloomberg (Updated 28 June 2017), PSR

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