

Cache Logistics Trust

Maiden Australian acquisitions of three distribution warehouses make partial contribution this quarter
SINGAPORE | REAL ESTATE (REIT) | RESULTS

23 April 2015

- Flat 0.3% y-o-y DPU growth.
- 9% of portfolio NLA expiring this year; portfolio occupancy at 99.1%.
- Downgrade from "Buy" to "Accumulate" rating, with slightly lower DDM valuation of S\$1.310. (Previous: S\$1.340)

What is the news?

Cache Logistics Trust ("Cache") announced its 1Q FY15 results on 22 April, after trading hours.

Results at a glance

(SGD mn)	1Q15	1Q14	y-y (%)	Comments
Gross revenue	21.0	20.7	1.6	Built-in rental escalations & contribution from recently-acquired Australian properties, offsetting vacancies
Net property income	19.7	19.6	0.6	Higher property expenses from maintenance expenses and lease commissions
Distributable income	16.8	16.7	0.9	
DPU (Cents)	2.146	2.140	0.3	

Source: Company, Phillip Securities Research (Singapore)

Analyst Briefing key takeaway

No Analyst Briefing, as Cache only holds them during 2Q and 4Q results.

How do we view this?

- Sector-wise, expectations for rents to soften due to supply side, but occupancy to remain healthy.** Singapore remains the Logistics Hub of the region, underpinned by consumer growth and e-commerce. While there is limited risk of oversupply as majority (>70%) of upcoming supply of warehouse space are pre-committed, but this is likely to put pressure on rents.
- 3 master-leases have already rolled-off to multi-tenanted in April, after the 1Q reporting period.** Consequently, portfolio occupancy today is likely already lower than 99.1%, and could remain so going into 2Q FY15.

Master-leases converted to multi-tenanted in April 2015

Property	Formerly known as
Cache Cold Centre	CWT Cold Hub
Cache Changi Districentre 1	C&P Changi Districentre
Cache Changi Districentre 2	C&P Changi Districentre 2

Source: Company

Investment Actions

Taking into consideration the occupancy risk ahead, we accordingly adjust our forecast for the full year onwards. We downgrade our rating on Cache from "Buy" to "Accumulate", with slightly lower DDM valuation of S\$1.310. (Previous: S\$1.340)

Accumulate (Downgraded)

CLOSING PRICE	SGD 1.200
FORECAST DIV	SGD 0.088
TARGET PRICE	SGD 1.310
TOTAL RETURN	16.5%

COMPANY DATA

O/S SHARES (MN) :	782
MARKET CAP (USD mn / SGD mn) :	698 / 938
52 - WK HI/LO (SGD) :	124 / 113
3M Average Daily T/O (mn) :	158

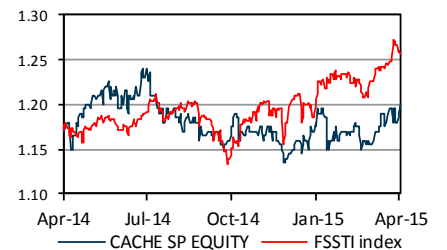
MAJOR SHAREHOLDERS (%)

CWT LTD	7.0%
NEWTON INV MGMT	6.4%
CAPITAL GROUP COMPANIES INC	5.0%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	3.0	3.2	9.4
STI RETURN	2.8	4.9	11.1

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 13	FY 14	FY 15e	FY 16e
Gross Rev. (SGD mn)	810	82.9	89.0	97.6
NPI (SGD mn)	76.8	78.0	84.3	92.5
Dist. Inc. (SGD mn)	65.6	66.9	69.4	73.5
P/NAV (x)	1.13	1.20	1.23	1.24
DPU, adj (Cents)	8.64	8.57	8.84	9.30
Distribution Yield, %	7.8	7.3	7.4	7.8

Source: Company Data, PSR est.

VALUATION METHOD

DDM (Cost of Equity: 7.7%; Terminal g: 0.5%)

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Relative valuation

The closest peer to Cache is Mapletree Logistics Trust (MLT), which is the only other Industrial S-REIT that holds a portfolio of properties comprising exclusively of warehouses.

Cache is trading on par with MLT on P/NAV basis, but with a higher trailing yield.

Peer relative data (arranged by Mkt. Cap.)

	Mkt. Cap. (\$\$mn)	Price (\$\$)	P/NAV	yield (%)
Mapletree Logistics Trust	3,105	1.255	1.22x	5.9
Cache Logistics Trust	938	1.200	1.23x	7.2

Source: Bloomberg (Updated: 22 April 2015)

Investment Merits for Cache

- **Direct beneficiary to Singapore's Logistics Hub status.** Cache holds a portfolio of warehouses with good locations (near to ports and airports) and superior design (modern ramp-up type vs. legacy cargo-lift type).
- **Dominant positioning across Industrial S-REITs.** Longest WALE of 4.5 years, giving income visibility and stability.
- **Distinct competitive advantage: Managerial expertise through market leaders in asset management and logistics.** REIT Manager and Property Manager are JVs between ARA Asset Management and CWT Limited.
- **Attractive forward distribution yield.** About 7.4%.

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
Gross revenue	72.6	81.0	82.9	89.0	97.6
Property expenses	(3.5)	(4.1)	(4.9)	(4.7)	(5.1)
Net property income	69.1	76.8	78.0	84.3	92.5
Net Finance (Expense)/Inc.	(20.8)	(10.8)	(12.3)	(13.9)	(17.7)
Manager's fees	(5.7)	(6.5)	(6.7)	(7.0)	(7.7)
Other items	(2.2)	(2.0)	(1.9)	(2.3)	(2.4)
Exceptional items	-	-	-	-	-
Net income	40.4	57.4	57.1	61.2	64.8
FV change, Invmnt. properties	26.2	6.7	9.0	-	-
Total Return Before Tax	66.6	64.2	66.1	61.2	64.8
Taxation	(0.2)	(0.5)	(0.3)	(0.3)	(0.3)
Total Return After Tax	66.4	63.7	65.8	61.0	64.5
Distribution adjustments	(8.9)	1.9	1.1	8.4	9.0
Income available for distribution	57.5	65.6	66.9	69.4	73.5
Income distributed	57.5	65.6	66.9	69.4	73.5

Per share data (Cents)

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
NAV	96.0	98.0	98.0	97.6	96.6
EPU	9.68	8.40	8.45	7.79	8.19
DPU	8.37	8.64	8.57	8.84	9.30

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

Cash Flow

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
CFO					
Net income	40.4	57.4	57.1	61.2	64.8
Adjustments	25.1	15.7	17.5	19.4	23.7
WC changes	(0.5)	(0.7)	(0.5)	(6.0)	4.7
Cash generated from ops	65.0	72.5	74.1	74.6	93.2
Others	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Cashflow from ops	64.9	72.3	73.8	74.3	92.9
CFI					
CAPEX, net	(0.8)	(0.4)	(63.5)	(44.5)	(0.2)
Purchase of Inv. Propty.	(102)	(55.9)	-	(79.3)	-
Others	0.0	0.1	0.2	-	-
Cashflow from investments	(103)	(56.2)	(63.3)	(124)	(0.2)
CFF					
Share issuance, net	59.1	86.8	-	-	-
Loans, net of repayments	60.0	-	42.2	141.1	-
Dividends	(55.7)	(64.1)	(66.7)	(69.4)	(73.5)
Others	(24.3)	(11.3)	(15.5)	(13.9)	(17.7)
Cashflow from financing	39.1	11.4	(40.1)	57.9	(91.1)
Net change in cash	1.1	27.6	(29.5)	8.4	1.6
Effects of exchange rates	0.1	(0.1)	0.0	-	-
Ending cash	13.3	40.8	11.3	19.7	21.2

Source: Company, Phillip Securities Research (Singapore) Estimates

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

Balance Sheet

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
ASSETS					
Investment properties	972	1,035	1,044	1,244	1,244
Inv. Propty. Under Devmnt.	-	-	75.7	-	-
PPE	0.3	0.6	1.8	1.8	1.7
Others	-	-	0.2	0.2	0.2
Total non-current assets	972	1,036	1,122	1,246	1,246
Cash	13.3	40.8	11.3	19.7	21.2
Trade receivables	1.5	0.9	3.5	2.3	3.2
Others	-	-	0.1	0.1	0.1
Total current assets	14.8	41.6	14.8	22.0	24.5
Total Assets	987	1,077	1,137	1,268	1,270
LIABILITIES					
Trade payables	5.3	4.6	20.5	13.3	18.9
Borrowings	-	-	6.6	6.6	6.6
Others	-	-	-	-	-
Total current liabilities	5.3	4.6	27.1	20.0	25.5
Borrowings	308.4	310.1	342.6	483.7	483.7
Others	1.4	0.7	0.4	0.4	0.4
Total non-current liabilities	309.8	310.8	343.0	484.1	484.1
Total Liabilities	315.1	315.5	370.2	504.1	509.7
Net assets	671.9	761.8	766.9	763.7	760.5
Represented by:					
Unitholders' funds	671.9	761.8	766.9	763.7	760.5

Valuation Ratios

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
P/NAV (x)	1.31	1.13	1.20	1.23	1.24
P/DPU (x)	15.01	12.83	13.68	13.58	12.90
Distribution Yield (%)	6.66	7.79	7.31	7.36	7.75
NPI yield (%)	7.62	7.66	7.50	7.37	7.44

Growth & Margins (%)

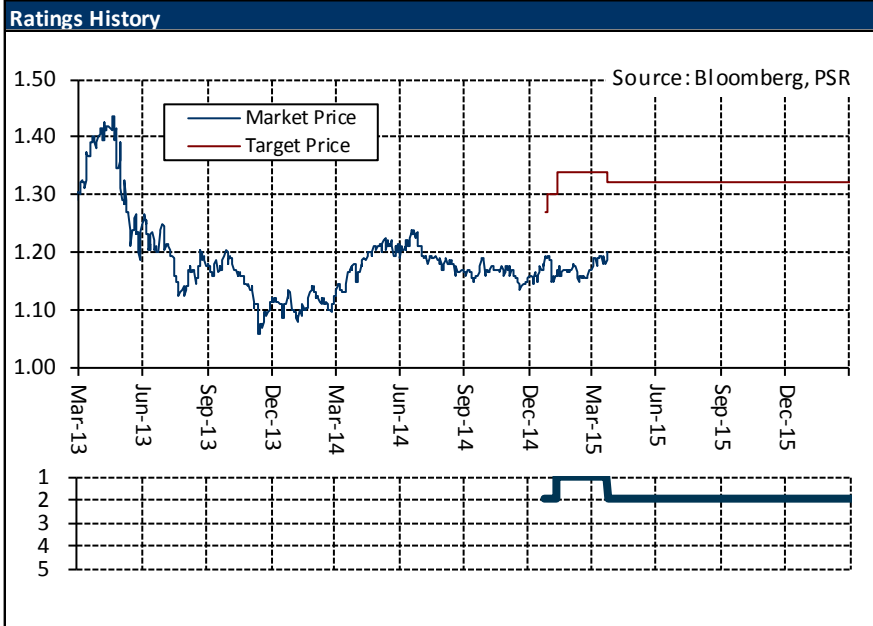
Growth					
Revenue	12.4%	11.4%	2.3%	7.4%	9.6%
Net property income (NPI)	11.7%	11.1%	1.5%	8.1%	9.7%
Distributable income	9.5%	14.1%	2.0%	3.7%	5.9%
DPU		3.3%	-0.8%	3.1%	5.2%

Margins

NPI margin	95.2%	94.9%	94.1%	94.8%	94.8%
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Key Ratios

Net Debt or (Net Cash)	295.2	269.3	338.0	470.7	469.1
Gearing (%)	31.2%	28.8%	30.7%	38.7%	38.6%



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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