

Cache Logistics Trust

Takes a hit from Schenker Megahub

SINGAPORE | REAL ESTATE (REIT) | RESULTS

24 October 2016

- S\$28.05mn Gross revenue exceeded our forecast of S\$26.94mn by 4.1%
- 1.847 cents DPU missed our forecast of 1.977 cents by 6.6%
- 1.847 cents DPU in line if we exclude our assumption of capital distribution component
- S\$36.1mn fair value adjustment applied to 51 Alps Avenue (Schenker Megahub)
- Lease expiry profile is manageable, significant lease expiries only in 2018

Results at a glance

(SGD mn)	3Q16	3Q15	yoy (%)	Comments
Gross revenue	28.05	23.14	↑21.2	Contributions from six Australian properties acquired in 1Q15 and 4Q15, and DHL Supply Chain Advanced Regional Centre (DSC ARC), offset by lower income from Schenker Megahub
Net property income	22.07	18.78	↑17.5	Higher property related expenses due to conversions to multi-tenanted leases
Distributable income	16.58	16.81	↓(1.3)	3Q15 includes S\$1.51mn capital distribution
DPU (cents)	1.847	2.140	↓(13.7)	14.3% larger unit base - 897.8mn in 3Q16 vs. 785.6mn in 3Q15
DPU, adj. (cents)	1.847	1.948	↓(5.2)	Adjusting for partial capital distribution of 0.192 cents from Kim Heng Warehouse in 3Q15

Source: Company, Phillip Securities Research (Singapore)

No capital distribution component this quarter; and do not expect it going forward

Our 3QFY16 DPU forecast of 1.977 cents consist of 1.811 cents core-DPU and 0.166 cents capital distribution from divestment of Kim Heng Warehouse. Our core-DPU forecast was in line with actual DPU of 1.847 cents. Management indicated that the S\$2.98mn balance capital from the divestment is to be used for other purposes such as capital expenditure; and there is no commitment to distribute any of the balance in future quarters.

51 Alps Avenue (Schenker Megahub) fair value adjusted downwards by 31%

The property was valued by an independent valuer and revalued downwards by S\$36.1 million from S\$116.8 million to S\$80.7 million. Net asset value (NAV) per unit is consequently 4 cents lower quarter-on-quarter (qoq) to 83 cents. The fair value is based on market rent being effectively achieved for the five years (i.e. favourable outcome in Court) of Schenker's lease. Meanwhile, Cache will collect on a single-net basis, rent of S\$0.77 psf/month from 1 September 2016 through end-2017, and the valuer's assumption is that the property will revert to market rent (of S\$1.40 to S\$1.50 psf/month) on 1 January 2018 (post-Court proceedings); and a lump-sum payoff for the shortfall in rent over the 15 months (September 2016 to December 2017) to be paid in 2018. Capitalisation rate for the property remains unchanged at 6.5%.

Management remains confident of a favourable outcome from Court proceedings, but in the event of an unfavourable outcome, the property will be revalued to S\$66.6 million.

Prospects for opportunistic acquisition dimmed, expect downside to organic DPU

As a result of the downward revaluation of 51 Alps Avenue, aggregate leverage has increased to 41.2% from 39.8%. Management shared that it will not be tapping on new equity to lower gearing; it is looking to rebalance the portfolio by recycling lower yielding properties and retire debt. The strategy for growth is to focus on Australia. In view of the elevated gearing and limited debt headroom, we are not pinning our hopes on any opportunistic acquisitions until gearing has been pared down.

Maintaining our "Reduce" rating with unchanged DDM valuation of S\$0.81

We have made some adjustments to our forecasts, principally bringing our revenue forecasts in line with revaluation of 51 Alps Avenue, and removing our capital distribution assumptions. Our near-term FY16e/FY17e DPU have been revised downwards by 4.1%/1.8; but FY18e DPU revised 6.8% higher due to one-off payout for the rent shortfall.

Reduce (Maintained)

LAST CLOSE PRICE	SGD 0.880
FORECAST DIV	SGD 0.076
TARGET PRICE	SGD 0.810
TOTAL RETURN	0.7%

COMPANY DATA

O/S SHARES (MN):	896
MARKET CAP (USD mn / SGD mn):	566 / 789
52 - WK HI/LO (SGD):	1.04 / 0.81
3M Average Daily T/O (mn):	2.63

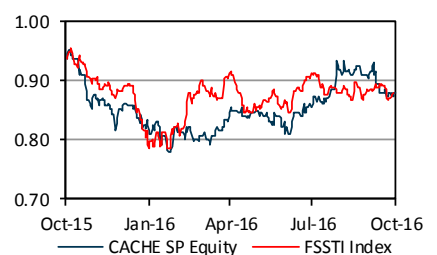
MAJOR SHAREHOLDERS (%)

BANK OF NEW YORK MELLON CORP	4.4%
CWT LTD	4.4%
CAPITAL GROUP COMPANIES INC	4.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(3.3)	2.9	(5.6)
STIRETURN	(0.4)	(19)	(2.1)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16e	FY 17e	FY 18e
Gross Rev. (SGD mn)	89.7	111.3	109.1	111.2
NPI (SGD mn)	76.2	87.7	83.7	84.5
Dist. Inc. (SGD mn)	62.9	68.5	61.9	66.6
P/NAV (x)	1.00	1.06	1.07	1.08
DPU, adj (Cents)	8.50	7.58	6.69	7.10
Distribution Yield, %	9.6	8.6	7.6	8.1

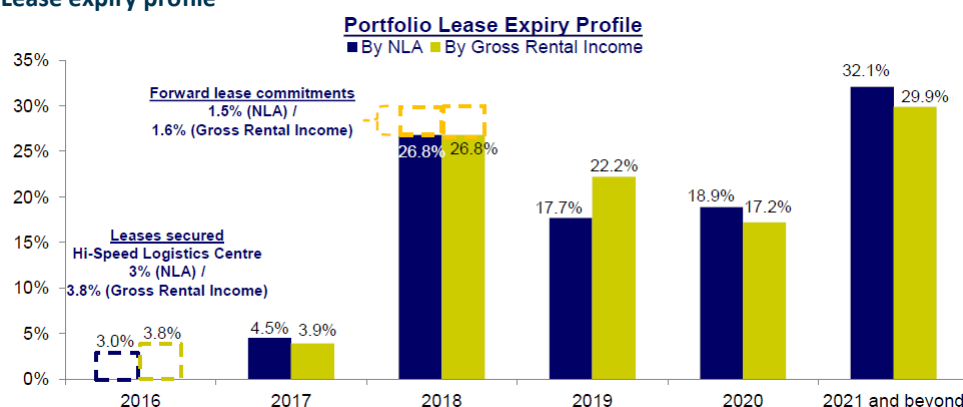
Source: Company Data, PSR est.

VALUATION METHOD

DDM (Cost of Equity: 7.8%; Terminal g: 0.0%)

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Lease expiry profile



Source: Company 3QFY16 Results Presentation, 21 October 2016

4.5% of leased lettable area up for renewal in FY17

There are no master leases expiring during the year. The Manager shared that the expiries are in Singapore (properties located at the west), Australia (Coopers Plains) and China (Jinshan Chemical Warehouse). The multi-tenanted properties located at western Singapore are Cache Cold Centre and Pandan Logistics Hub.

26.8% of leased lettable area up for renewal in FY18

This arises primarily from the master lease of CWT Commodity Hub which will be expiring in April 2018.

Peer relative valuation

Cache Logistics Trust is approximately on par with its nearest peer in terms of trailing P/NAV multiple, and has a higher 12M trailing yield.

Peer relative data

	Mkt. Cap. (S\$m)	Price (S\$)	Trailing P/NAV (x)	12M trailing yield (%)
Mapletree Logistics Trust	2,624	1.050	1.05	7.0
Cache Logistics Trust	789	0.880	1.01	9.4

Source: Bloomberg (Updated: 21 October 2016)

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
Gross revenue	82.9	89.7	111.3	109.1	111.2
Property expenses	(4.9)	(13.6)	(23.6)	(25.4)	(26.7)
Net property income	78.0	76.2	87.7	83.7	84.5
Net Finance (Expense)/Inc.	(12.3)	(14.1)	(19.2)	(20.0)	(21.0)
Manager's fees	(6.7)	(7.5)	(7.8)	(7.6)	(7.7)
Other items	(1.9)	(1.6)	(2.7)	(2.8)	1.6
Exceptional items	-	-	-	-	-
Net income	57.1	53.0	57.9	53.3	57.5
FV change, Invmnt. properties	9.0	(64.7)	(36.1)	-	-
Total Return Before Tax	66.1	(11.7)	21.8	53.3	57.5
Taxation	(0.3)	(0.6)	(0.7)	(0.8)	(0.8)
Total Return After Tax	65.8	(12.3)	21.1	52.5	56.6
Distribution adjustments	1.1	75.2	45.8	9.4	10.0
Portion of sales proceeds	-	5.1	1.6	-	-
Income available for distribution	66.9	62.9	68.5	61.9	66.6
Income distributed	66.9	62.9	68.5	61.9	66.6

Per share data (Cents)

Y/E Dec	FY14	FY15	FY16e	FY17e	FY18e
NAV	98.0	88.0	82.9	81.9	81.1
EPU	8.45	(1.47)	2.35	5.82	6.23
DPU	8.57	8.50	7.58	6.69	7.10

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

Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
CFO					
Net income	57.1	53.0	57.9	53.3	57.5
Adjustments	17.5	20.0	26.1	27.1	28.8
WC changes	(0.5)	2.7	3.9	2.4	(2.0)
Cash generated from ops	74.1	75.7	87.9	82.8	84.2
Others	(0.3)	(0.6)	(0.7)	(0.8)	(0.8)
Cashflow from ops	73.8	75.1	87.2	82.0	83.4
CFI					
CAPEX, net	(63.5)	(80.5)	(2.2)	(3.1)	(4.2)
Purchase of Inv. Propty.	-	(182.5)	-	-	-
Others	0.2	0.1	-	-	-
Cashflow from investments	(63)	(263.0)	(2.2)	(3.1)	(4.2)
CFF					
Share issuance, net	-	100.0	-	-	-
Loans, net of repayments	42.2	173.1	10.0	10.0	10.0
Dividends	(66.7)	(74.2)	(71.2)	(61.0)	(64.5)
Others	(15.5)	(14.2)	(19.2)	(20.0)	(21.0)
Cashflow from financing	(40.1)	184.7	(80.4)	(71.0)	(75.5)
Net change in cash	(29.5)	(3.2)	4.5	7.9	3.7
Effects of exchange rates	0.0	(0.0)	-	-	-
Ending cash	11.3	8.1	12.6	20.5	24.2

Source: Company, Phillip Securities Research (Singapore) Estimates

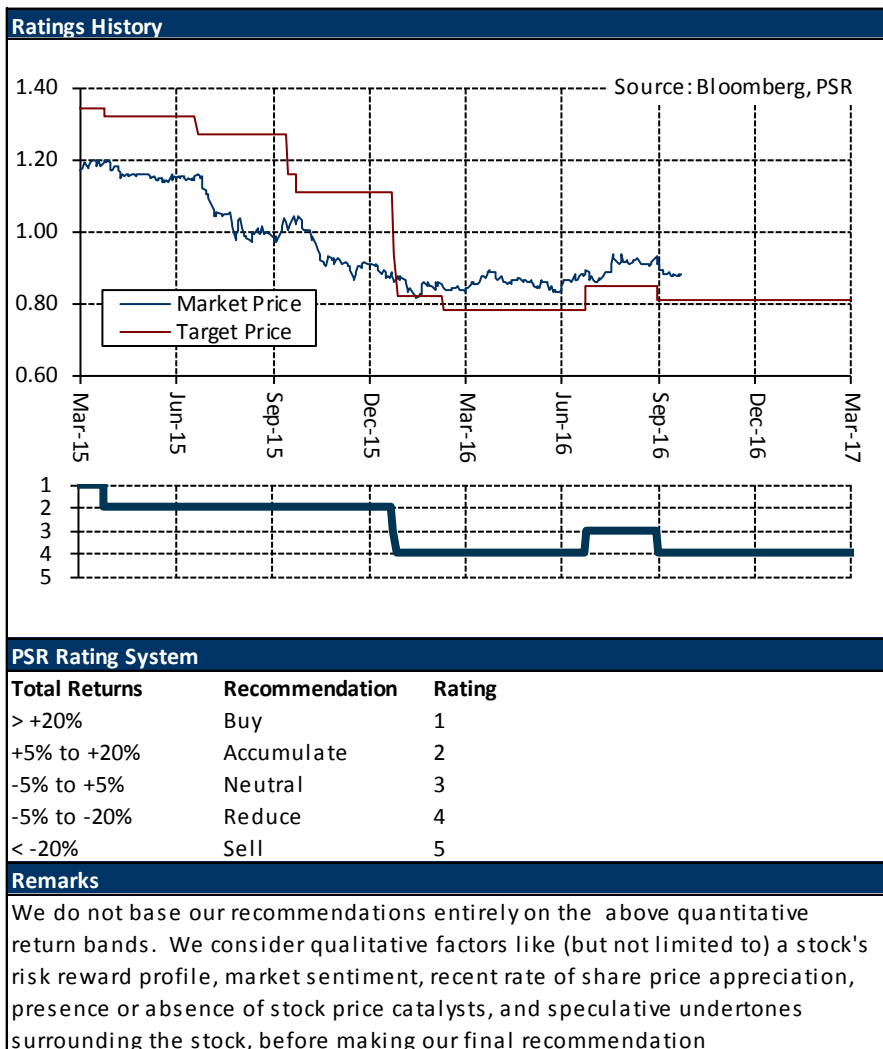
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
ASSETS					
Investment properties	1,044	1,308	1,272	1,272	1,272
Inv. Propty. Under Devmnt.	75.7	-	-	-	-
PPE	1.8	3.0	4.3	5.9	8.1
Others	0.2	1.8	1.8	1.8	1.8
Total non-current assets	1,122	1,313	1,278	1,280	1,282
Cash	11.3	8.1	12.6	20.5	24.2
Trade receivables	3.5	5.0	4.0	4.8	5.0
Others	0.1	0.4	0.4	0.4	0.4
Total current assets	14.8	13.4	17.0	25.8	29.6
Total Assets	1,137	1,326	1,295	1,305	1,311
LIABILITIES					
Trade payables	20.5	14.3	17.2	20.4	18.6
Borrowings	6.6	8.3	8.3	8.3	8.3
Others	-	-	-	-	-
Total current liabilities	27.1	22.6	25.5	28.7	26.9
Borrowings	343	515	525	535	545
Others	0.4	2.1	2.1	2.1	2.1
Total non-current liabilities	343	517	527	537	547
Total Liabilities	370	540	553	566	574
Net assets	767	787	742	739	737
Represented by:					
Unitholders' funds	767	787	742	739	737

Valuation Ratios

Y/E Dec	FY14	FY15	FY16e	FY17e	FY18e
P/NAV (x)	1.20	1.00	1.06	1.07	1.08
P/DPU (x)	13.68	10.39	11.61	13.15	12.40
Distribution Yield (%)	7.31	9.62	8.62	7.61	8.07
NPI yield (%)	7.50	6.47	6.80	6.58	6.64
Growth & Margins (%)					
Growth					
Revenue	2.3%	8.3%	24.1%	-2.0%	1.9%
Net property income (NPI)	1.5%	-2.4%	15.2%	-4.5%	0.9%
Distributable income	2.0%	-6.0%	8.9%	-9.7%	7.6%
DPU	-	-0.9%	-10.8%	-11.7%	6.0%
Margins					
NPI margin	94.1%	84.9%	78.8%	76.8%	76.0%
Key Ratios					
Net Debt or (Net Cash)	338.0	515.4	520.8	522.9	529.3
Gearing (%)	30.7%	39.5%	41.2%	41.6%	42.2%



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