

# Cache Logistics Trust

## Refinances Loan Facility

SINGAPORE | REAL ESTATE (REIT) | UPDATE

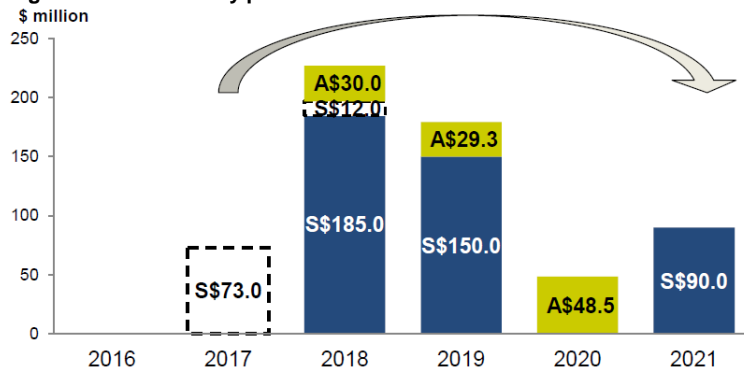
2 December 2016

- Entered into a term loan facility to refinance and repay borrowings
- No refinancing requirement until 2H 2018
- Extended weighted average debt maturity and lowered all-in financing costs
- Upgrading our rating to "Neutral" on valuation grounds

### What is the news?

Cache has entered into a facility agreement of a five-year, S\$90.0mn unsecured term loan facility. The S\$90.0mn will be used to: (1) refinance an existing S\$97.0mn 3.5-year secured term loan facility, of which S\$73.0mn has been drawn to date, (2) repayment of an existing S\$12.0mn drawn from revolving credit facilities of S\$65.0mn and (3) other working capital requirements.

Figure 1. Debt maturity profile as at 30 November 2016



Source: Company Press Release, 30 November 2016

### Weighted average debt maturity extended to 2.9 years as at 30 November 2016

Weighted average debt maturity has been extended from 2.4 years as at 30 September 2016 (3Q FY16). S\$73.0mn term loan due in 2017 and S\$12.0mn revolving credit due in 2018 will be repaid using the new term loan facility due in 2021. There will not be any refinancing requirements in 2017 and the next refinancing for any Singapore-dollar borrowings will be in 2H 2018.

### Lower all-in financing cost, but higher aggregate leverage

As disclosed, all-in financing cost will be lower by 14bps to 3.48% per annum. However, aggregate leverage is now higher, since there is a net increase in borrowings by \$5.0mn. On a pro forma basis, aggregate leverage as at 30 November 2016 gets nudged up by about 40bps to 41.6%, by our estimate, from the aggregate leverage as at 30 September 2016.

### Scope for aggregate leverage to rise at the end of the year

In line with our recent [report](#) on the Industrial sub-sector (11 November 2016), we are cautioning on possible downward revaluation of properties within the Cache portfolio. This would have a negative impact of driving aggregate leverage up. A potential property for such a downward revaluation would be Hi-Speed Logistics Hub, which has been converted to multi-tenancy lease in 4Q FY16.

### Upgrading to "Neutral" rating with unchanged DDM valuation of S\$0.81

Our rating upgrade is on valuation grounds, as Unit price had already corrected some 9% since our last results [report](#) (24 October 2016) where we maintained our "Reduce" rating on Cache. Current high aggregate leverage inhibits acquisition opportunities. Further downside which we are unable to quantify at this point, relates to the intent to rebalance the portfolio by recycling lower yielding properties and retire debt. It has the immediate effect of organically shrinking the portfolio.

## Neutral (Upgraded)

LAST CLOSE PRICE	SGD 0.815
FORECAST DIV	SGD 0.076
TARGET PRICE	SGD 0.810
TOTAL RETURN	8.7%

### COMPANY DATA

O/S SHARES (MN):	898
MARKET CAP (USD mn / SGD mn):	515 / 736
52 - WK HI/LO (SGD):	0.95 / 0.79
3M Average Daily T/O (mn):	2.23

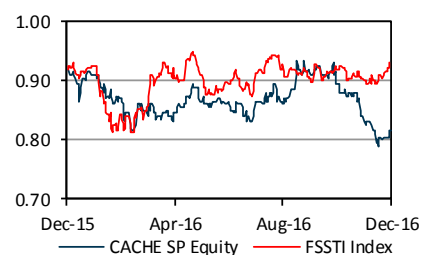
### MAJOR SHAREHOLDERS (%)

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

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	(18)	(9.0)	(4.5)
STI RETURN	3.3	3.2	5.7

### 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	68.6	62.3	67.4
P/NAV (x)	1.00	0.98	1.00	1.01
DPU, adj (Cents)	8.50	7.59	6.74	7.17
Distribution Yield, %	9.6	9.3	8.3	8.8

Source: Company Data, PSR est.

### VALUATION METHOD

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

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**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. (\$mn)	Price (\$)	Trailing P/NAV (x)	12M trailing yield (%)
Mapletree Logistics Trust	2,525	1.010	1.01	7.3
Cache Logistics Trust	732	0.815	0.98	9.8

Source: Bloomberg (Updated: 1 December 2016)

## Financials

### Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
<b>Gross revenue</b>	<b>82.9</b>	<b>89.7</b>	<b>111.3</b>	<b>109.1</b>	<b>111.2</b>
Property expenses	(4.9)	(13.6)	(23.6)	(25.4)	(26.7)
<b>Net property income</b>	<b>78.0</b>	<b>76.2</b>	<b>87.7</b>	<b>83.7</b>	<b>84.5</b>
Net Finance (Expense)/Inc.	(12.3)	(14.1)	(19.1)	(19.5)	(20.2)
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	-	-	-	-	-
<b>Net income</b>	<b>57.1</b>	<b>53.0</b>	<b>58.0</b>	<b>53.7</b>	<b>58.2</b>
FV change, Invmnt. properties	9.0	(64.7)	(36.1)	-	-
<b>Total Return Before Tax</b>	<b>66.1</b>	<b>(11.7)</b>	<b>21.9</b>	<b>53.7</b>	<b>58.2</b>
Taxation	(0.3)	(0.6)	(0.7)	(0.8)	(0.8)
<b>Total Return After Tax</b>	<b>65.8</b>	<b>(12.3)</b>	<b>21.2</b>	<b>52.9</b>	<b>57.4</b>
Distribution adjustments	1.1	75.2	45.8	9.4	10.0
Portion of sales proceeds	-	5.1	1.6	-	-
<b>Income available for distribution</b>	<b>66.9</b>	<b>62.9</b>	<b>68.6</b>	<b>62.3</b>	<b>67.4</b>
<b>Income distributed</b>	<b>66.9</b>	<b>62.9</b>	<b>68.6</b>	<b>62.3</b>	<b>67.4</b>

### 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)	2.36	5.87	6.31
DPU	8.57	8.50	7.59	6.74	7.18

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

### Cash Flow

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
<b>CFO</b>					
Net income	57.1	53.0	58.0	53.7	58.2
Adjustments	17.5	20.0	26.0	26.7	28.0
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)
<b>Cashflow from ops</b>	<b>73.8</b>	<b>75.1</b>	<b>87.2</b>	<b>82.0</b>	<b>83.3</b>
<b>CFI</b>					
CAPEX, net	(63.5)	(80.5)	(2.2)	(3.1)	(4.2)
Purchase of Inv. Propty.	-	(182.5)	-	-	-
Others	0.2	0.1	-	-	-
<b>Cashflow from investments</b>	<b>(63)</b>	<b>(263.0)</b>	<b>(2.2)</b>	<b>(3.1)</b>	<b>(4.2)</b>
<b>CFF</b>					
Share issuance, net	-	100.0	-	-	-
Loans, net of repayments	42.2	173.1	10.4	-	10.0
Dividends	(66.7)	(74.2)	(71.2)	(61.4)	(65.2)
Others	(15.5)	(14.2)	(19.1)	(19.5)	(20.2)
<b>Cashflow from financing</b>	<b>(40.1)</b>	<b>184.7</b>	<b>(79.9)</b>	<b>(80.9)</b>	<b>(75.4)</b>
<b>Net change in cash</b>	<b>(29.5)</b>	<b>(3.2)</b>	<b>5.0</b>	<b>(2.0)</b>	<b>3.7</b>
Effects of exchange rates	0.0	(0.0)	-	-	-
<b>Ending cash</b>	<b>11.3</b>	<b>8.1</b>	<b>13.1</b>	<b>11.1</b>	<b>14.8</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

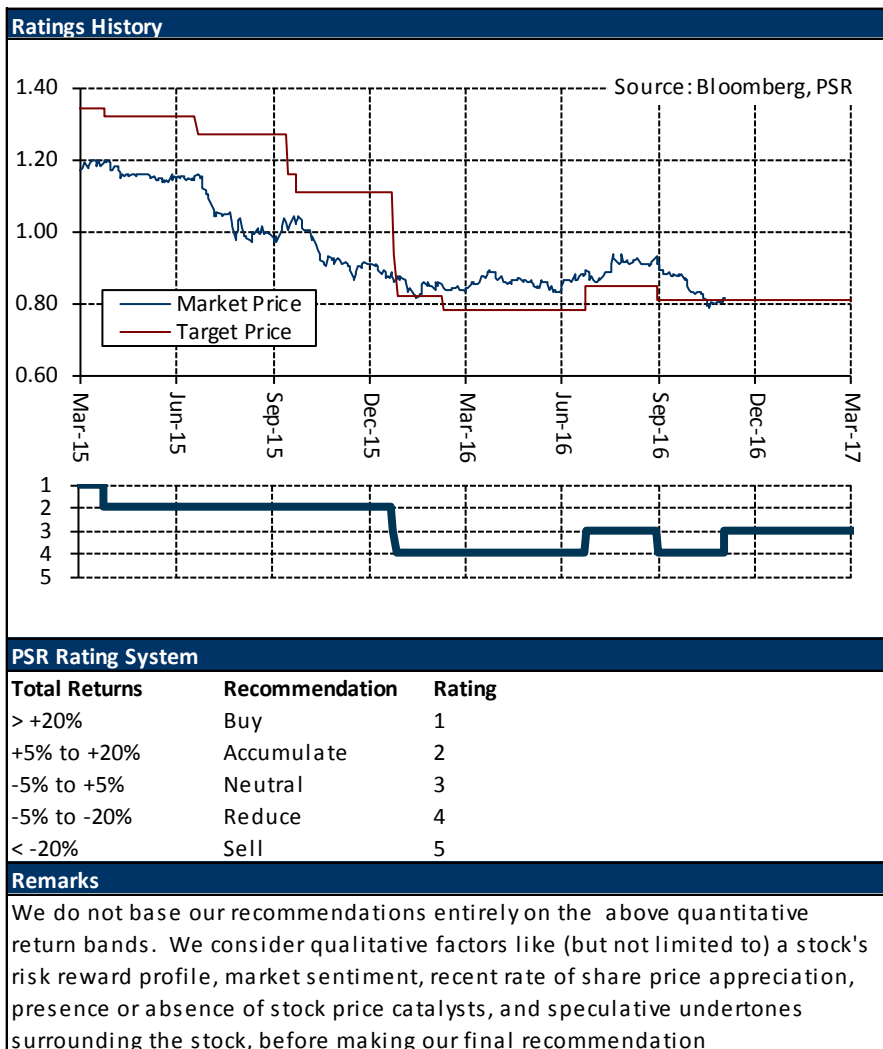
\*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

### Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16e	FY17e	FY18e
<b>ASSETS</b>					
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
<b>Total non-current assets</b>	<b>1,122</b>	<b>1,313</b>	<b>1,278</b>	<b>1,280</b>	<b>1,282</b>
Cash	11.3	8.1	13.1	11.1	14.8
Trade receivables	3.5	5.0	4.0	4.8	5.0
Others	0.1	0.4	0.4	0.4	0.4
<b>Total current assets</b>	<b>14.8</b>	<b>13.4</b>	<b>17.5</b>	<b>16.3</b>	<b>20.2</b>
<b>Total Assets</b>	<b>1,137</b>	<b>1,326</b>	<b>1,295</b>	<b>1,296</b>	<b>1,302</b>
<b>LIABILITIES</b>					
Trade payables	20.5	14.3	17.2	20.4	18.6
Borrowings	6.6	8.3	0.3	5.3	5.3
Others	-	-	-	-	-
<b>Total current liabilities</b>	<b>27.1</b>	<b>22.6</b>	<b>17.5</b>	<b>25.7</b>	<b>23.9</b>
Borrowings	343	515	534	529	539
Others	0.4	2.1	2.1	2.1	2.1
<b>Total non-current liabilities</b>	<b>343</b>	<b>517</b>	<b>536</b>	<b>531</b>	<b>541</b>
<b>Total Liabilities</b>	<b>370</b>	<b>540</b>	<b>553</b>	<b>556</b>	<b>564</b>
<b>Net assets</b>	<b>767</b>	<b>787</b>	<b>742</b>	<b>740</b>	<b>738</b>
<b>Represented by:</b>					
<b>Unitholders' funds</b>	<b>767</b>	<b>787</b>	<b>742</b>	<b>740</b>	<b>738</b>

### 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	11.59	13.06	12.26
Distribution Yield (%)	7.31	9.62	8.63	7.66	8.16
NPI yield (%)	7.50	6.47	6.80	6.58	6.64
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
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%	9.1%	-9.2%	8.1%
DPU	-	-0.9%	-10.7%	-11.2%	6.5%
<b>Margins</b>					
NPI margin	94.1%	84.9%	78.8%	76.8%	76.0%
<b>Key Ratios</b>					
Net Debt or (Net Cash)	338.0	515.4	520.8	522.8	529.0
Aggregate Leverage (%)	31.2%	40.0%	42.0%	42.0%	42.8%



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