

Dasin Retail Trust

Tying up FY2017 on a steady footing

SINGAPORE | REAL ESTATE (REIT) | FY17 RESULTS

- Revenue and NPI for FY17 were in line with our forecast. 69% YoY boost in revenue on the back of contribution of Shiqi Metro Mall, acquired in June 2017.
- Continued organic growth with expansion in baseline revenue and with all malls reporting at 100% occupancy.
- Ample debt headroom (30.7% gearing) to act on ROFR pipeline of 19 properties.
- Maintain BUY and unchanged target price of S\$0.98 ([Click here](#) for our Initiation report on Dasin)

Results at a glance

SGD ('000)	FY16	FY17	YoY (%)	Comments
Gross Revenue	34,228	57,696	69%	Contribution from Shiqi Metro Mall, which was acquired on 19 June 2017. Positive effect from recognising future rent escalations on a straight-line basis.
Net Property Income	27,565	46,560	69%	
Net Income	29,372	18,467	-37%	Higher expenses due to IPO transaction costs, finance costs from loans drawn down on FY17 and trustee-manager's fees in FY17.
Distributable profit	-	18,009	-	
DPU (Cents)	-	7.16	-	Company listed on 20 January 2017.

Source: Company, PSR

The Positives

+ Organic growth captured from positive rental reversions and step-up escalations. Stripping out Shiqi Metro Mall, baseline revenue continues to expand, with a positive 12.7% rental reversion in FY2017 (33% of incremental baseline revenue) and step-up escalations from leases expired during the period (67% of incremental baseline revenue).

+ Improved occupancy from 99.2%¹ to 100%. Strong occupancy for all four malls, with an above 90% tenant retention rate. In addition, there are hardly any gaps between the lease expiry and new lease sign-ups.

The Negatives

- Revenue in FY17 was slightly lower than expected. Particularly, the reversion rates of Ocean Metro and Dasin E-Colour were lower than our estimates. Dasin E-Colour's revenue was compressed by the negative reversions of the ongoing recalibration of certain stall formats (atrium, advertising). However, this measure is temporary and is part of Dasin's ongoing asset enhancement, which will drive efficiency and productivity.

Outlook

Inorganic growth will be through its ready pipeline of 19 properties. We expect continued organic growth as all malls are reporting at 100% occupancy. Zhongshan's economy continues to be robust, with GDP expanding 7.73% in 2017 and exports rebounding sharply in 2017 with a YoY growth of 13.6%. DPU for FY17 was lower than our forecast primarily due to realised exchange losses. While we have adjusted our revenue forecast for FY18-19 downwards by 0.6-1.2% from the change in portfolio lease structure, this has been offset by the uptick in our forecast NPI margins due to higher efficiencies attained by the Group. Consequently, our DPU for FY18 has been raised 3% to 9.79 cents.

Maintain BUY with unchanged target price of S\$0.98

Operationally we expect Dasin to deliver healthy organic and inorganic growth. DPU will taper gradually as the income support is removed. Nevertheless, the yields and valuations remain attractive to us. Key risks would be the fall-off of income support in FY21 and currency exposure to the RMB. We maintain our BUY rating with an unchanged target price of S\$0.98.

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¹ As at 30 June 2016



StocksBnB.com

2 March 2018

BUY (Maintained)

LAST DONE PRICE	SGD 0.87
FORECAST DIV	SGD 0.098
TARGET PRICE	SGD 0.98
TOTAL RETURN	23.9%

COMPANY DATA

BLOOMBERG CODE:	DASIN SP
O/S SHARES (MN):	552
MARKET CAP (USD mn / SGD mn):	364 / 481
52 - WK HI/LO (SGD):	0.89 / 0.77
3M Average Daily T/O (mn):	0.62

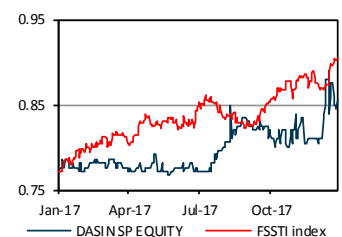
MAJOR SHAREHOLDERS (%)

AQUA WEALTH HOLDINGS LIMITED	60.1%
CHINA ORIENT ASSET MANAGEMENT CO	9.4%
BOUNTY WAY INVESTMENTS LIMITED	5.2%
ZHANG ZHONGMING	0.7%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	18	8.1	-
STI RETURN	(0.85)	2.21	16.12

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD ('000)	FY 16	FY 17	FY 18 e	FY 19 e
Gross Revenue	34,228	57,696	74,758	78,252
NPI	27,565	46,560	59,059	61,820
Dist Inc.	-	18,009	28,582	27,632
P/NAV (x)	-	0.57	0.58	0.58
ROE (%)	6.4%	2.2%	3.2%	3.4%
DPU (Cents)	-	7.16	9.79	8.96
Dist yield %	-	8.2%	11.3%	10.3%

Source: Company Data, PSR est.

¹DPU is computed after income support waiver

Valuation Method

DDM (Cost of equity 8.12%, Terminal Growth 0%)

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Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD ('000)	FY16	FY17	FY18e	FY19e
Gross Revenue	34,228	57,696	74,758	78,252
Property operating expenses	(6,663)	(11,136)	(15,699)	(16,433)
Net Property Income	27,565	46,560	59,059	61,820
Trustee-Manager's fees	-	(3,422)	(4,190)	(4,190)
Others	-	(1,751)	(1,000)	(1,000)
Net finance income/(expenses)	(6,645)	(22,920)	(26,751)	(28,121)
Net Income	29,372	18,467	27,119	28,509
Net change in fair value of investment properties	3,908	14,047	-	-
Profit before income tax	33,280	32,514	27,120	28,509
Income tax expense	(7,648)	(13,658)	(9,492)	(9,978)
Profit for the period	25,632	18,856	17,628	18,531
Distribution adjustments	-	(847)	10,954	10,954
Distributable profit	-	18,009	28,582	27,632

Per share data (Cents)

Y/E Dec	FY16	FY17	FY18e	FY19e
NAV	-	1.53	1.51	1.50
DPU	-	7.16	9.79	8.96

Cash Flow

Y/E Dec, SGD ('000)	FY16	FY17	FY18e	FY19e
CFO				
Net Income	33,280	32,514	27,120	28,509
Adjustments	512	576	26,842	28,212
WC changes	(573)	20,199	6,171	961
Cashflow from ops	33,219	53,289	60,132	57,682
Income tax (paid)/refunded	(1,679)	(5,816)	(9,492)	(9,978)
Net cash from/(used) for ops	31,540	47,473	50,641	47,704
CFI				
Acquisition of subsidiaries	1,224	(520,995)	-	-
Others	55	730	-	-
Cashflow from investing activities	1,279	(520,265)	-	-
CFF				
Distributions paid	-	(7,444)	(28,582)	(27,632)
Issuance of units	13,716	146,415	-	-
Loans, net of repayments	(23,595)	374,420	-	-
Others	(6,288)	(37,373)	(26,751)	(28,121)
Cashflow from financing	(16,167)	476,018	(55,333)	(55,753)
Net change in cash	16,652	3,226	(4,692)	(8,049)
CCE, end	16,545	20,203	15,511	7,462

Source: Company, Phillip Securities Research (Singapore) Estimates

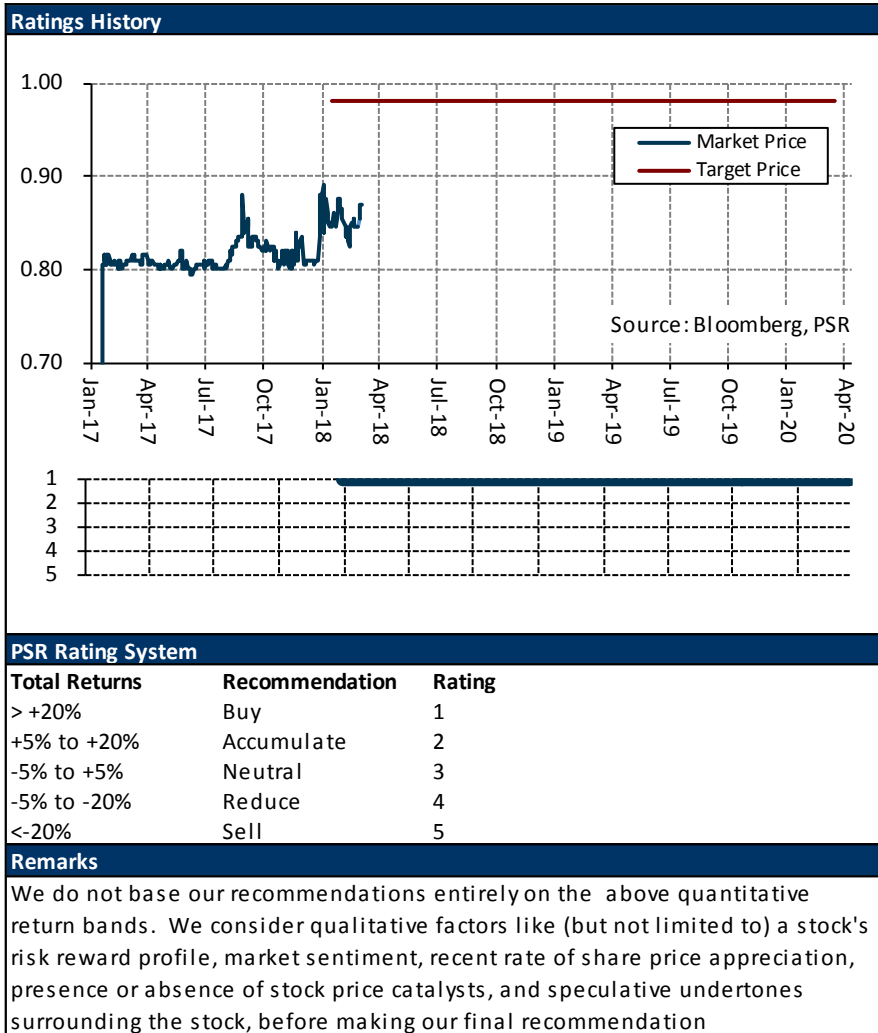
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD ('000)	FY16	FY17	FY18e	FY19e
ASSETS				
Investment properties	934,692	1,552,035	1,552,035	1,552,035
Plant and equipment	300	269	269	269
Non Current Assets	934,992	1,552,821	1,552,304	1,552,304
Trade and Other Receivables	86,472	7,336	12,709	13,303
Cash and Cash Equivalents Available for sale investments	16,545	40,672	15,511	7,462
	2,918.0	36,589.0	-	-
Current Assets	105,935	84,597	28,220	20,765
Total Assets	1,040,927	1,637,418	1,580,524	1,573,069
LIABILITIES				
Loans and borrowings	73,008	482,226	468,036	303,036
Rental deposits	-	-	-	-
Deferred tax liabilities	154,686	283,425	248,700	248,700
Non Current liabilities	227,694	765,824	716,736	551,736
Loans and borrowings	33,531.0	810.0	15,000.0	180,000.0
Trade and other payables	316,056	7,051	7,850	8,216
Tax payable	657	1,654	1,159	1,157
Current Liabilities	355,096	22,703	24,009	189,373
Total Liabilities	582,790	788,527	740,745	741,109
EQUITY				
Shareholder Equity	458,137	848,891	839,780	831,960

Valuation Ratios

Y/E Dec	FY16	FY17	FY18e	FY19e
P/NAV (x)	-	0.57	0.58	0.58
Distribution yield (%)	-	8.2%	11.3%	10.3%
NPI yield (%)	2.9%	3.0%	3.8%	4.0%
Growth & Margins (%)	FY16	FY17	FY18e	FY19e
Growth				
Revenue	6.3%	68.6%	29.6%	4.7%
Net property income (NPI)	10.5%	68.9%	26.8%	4.7%
DPU	-	-	36.8%	-8.5%
Margins				
NPI margin	80.5%	80.7%	79.0%	79.0%
Net Income Margin	85.8%	32.0%	36.3%	36.4%
Key Ratios				
Gearing	10.2%	30.7%	30.6%	30.7%
ROA	2.8%	1.1%	1.7%	1.8%
ROE	6.4%	2.2%	3.2%	3.4%



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