

Dasin Retail Trust

Grounding on healthy operating metrics



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SINGAPORE | REAL ESTATE (REIT) | 2Q18 RESULTS

14 August 2018

- Revenue in line with and NPI exceeded our expectations for 2Q18. Boost in revenue from the acquisition of Shiqi Metro Mall in June 2017. Organic growth was 10.4% YoY.
- Strong 100% occupancy and well-spread WALE (by GRI) of 4.07 years.
- Increase in gearing due to revaluation of investment properties.

Results at a glance

SGD ('000)	2Q18	2Q17	YoY (%)	Comments
Gross Revenue	18,569	11,264	↑ 65%	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	16,262	8,826	↑ 84%	
Net Income	2,490	5,128	↓ -51%	Unrealised exchange loss of S\$6.7mn due to weakening of the SGD against the USD on the USD-denominated bank loans.
Distributable profit	5,160	3,810	↑ 35%	
DPU (Cents)	1.76	1.52	↑ 16%	

Source: Company, PSR

The Positives

+ 10% of leases by GRI were renewed in 1H18, with 12.2% positive reversions and 100% portfolio occupancy. What this tells us is that there is demand for the space, and it is currently under-rented. The WALE has also been lengthened QoQ from 4.01 years to 4.07 years. While the 17.9% of leases (by GRI) that are due for renewal in 2H18 poses some concern, the Manager has proven its ability to execute. As such, we expect positive rental reversions to maintain in 2H18.

The Negatives

- Gearing increased to 31.5% in 2Q18 from 30.4% as at end 1Q18. This was mainly due to the decline in valuation of investment properties, which relates to the lease renewals of anchor tenants at Xiaolan Metro Mall and Shiqi Metro Mall, where the newer rents were lower than those of smaller, non-anchor tenants.

Outlook

Current gearing of 31.5% affords Dasin S\$138.6mn of headroom (assuming 40% gearing) to pursue inorganic growth, which will be through its ready pipeline of 20 properties – 12 of which have been completed.

Downgrade to ACCUMULATE with unchanged target price of S\$0.97

Fundamentals remain intact, and our target price remains unchanged. Our rating downgrade is purely due to the recent positive price moment.

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ACCUMULATE (Downgraded)

LAST DONE PRICE	SGD 0.90
FORECAST DIV	SGD 0.075
TARGET PRICE	SGD 0.97
TOTAL RETURN	15.9%

COMPANY DATA

BLOOMBERG CODE:	DASIN SP
O/S SHARES (MN):	555
MARKET CAP (USD mn / SGD mn):	363 / 500
52 - WK HI/LO (SGD):	0.92 / 0.8
3M Average Daily T/O (mn):	0.06

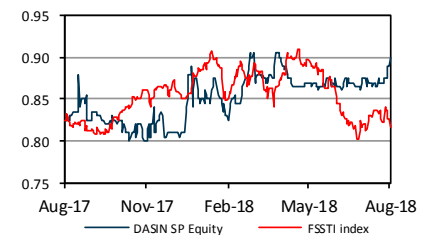
MAJOR SHAREHOLDERS (%)

AQUA WEALTH HOLDINGS LIMITED	60.1%
CHINA ORIENT ASSET MANAGEMENT CO	9.4%
BOUNTY WAY INVESTMENTS LIMITED	5.1%
ZHANG ZHONGMING	0.7%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	3.5	2.3	18.6
STIRETURN	1.1	(6.1)	2.3

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY 16	FY 17	FY 18 e	FY 19 e
Gross Revenue	34.23	57.70	75.85	80.69
NPI	27.57	46.56	59.92	62.94
Dist Inc.	-	(0.85)	27.63	4.84
P/NAV (x)	-	0.59	0.61	0.61
ROE (%)	0.06	0.02	0.04	0.04
DPU (Cents)	-	7.16	7.47	8.05
Dist yield (%)	-	7.96%	8.30%	8.94%

Source: Company Data, Bloomberg

*DPU 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 (mn)	FY16	FY17	FY18e	FY19e
Gross Revenue	34.23	57.70	75.85	80.69
Property operating expenses	(6.66)	(11.14)	(15.93)	(17.75)
Net Property Income	27.57	46.56	59.92	62.94
Trustee-Manager's fees	-	(3.42)	(4.12)	(4.12)
Others	8.45	(1.75)	(1.00)	(1.00)
Net finance income/(expenses)	(6.65)	(22.92)	(25.72)	(27.08)
Net Income	29.37	18.47	29.08	30.74
Net change in fair value of investment properties	3.91	14.05	(24.68)	-
Profit before income tax	33.28	32.51	4.41	30.74
Income tax expense	(7.65)	(13.66)	(10.18)	(10.76)
Profit for the period	25.63	18.86	(5.77)	19.98
Distribution adjustments	-	(0.85)	27.63	4.84
Amount available for distribution	-	18.01	21.86	24.82
Distributable profit	-	-	21.86	24.82

Per share data (Cents)

Y/E Dec	FY16	FY17	FY18e	FY19e
NAV	-	1.53	1.48	1.47
DPU	-	7.16	7.47	8.05

Cash Flow

Y/E Dec, SGD (mn)	FY16	FY17	FY18e	FY19e
CFO				
Profit before income tax	33.28	32.51	4.41	30.74
Adjustments	0.51	0.58	46.67	23.35
WC changes	(0.57)	20.20	(4.65)	0.09
Cashflow from ops	33.22	53.29	46.43	54.18
Income tax (paid)/refunded	(1.68)	(5.82)	(10.18)	(10.76)
Net cash from/(used) for ops	31.54	47.47	36.25	43.42
CFI				
Acquisition of subsidiaries	1.22	(521.00)	-	-
Others	0.06	0.73	(17.12)	(1.00)
Cashflow from investing activities	1.28	(520.27)	(17.12)	(1.00)
CFF				
Distributions paid	-	(7.44)	(21.86)	(24.82)
Issuance of units	13.72	146.42	-	-
Loans, net of repayments	(23.60)	374.42	-	-
Others	(6.29)	(37.37)	(14.86)	(16.22)
Cashflow from financing	(16.17)	476.02	(36.72)	(41.04)
Net change in cash	16.65	3.23	(17.59)	1.39
CCE, end	16.55	20.20	2.62	4.00
Add: Restricted Cash	-	20.47	20.47	20.47

Source: Company, Phillip Securities Research (Singapore) Estimates

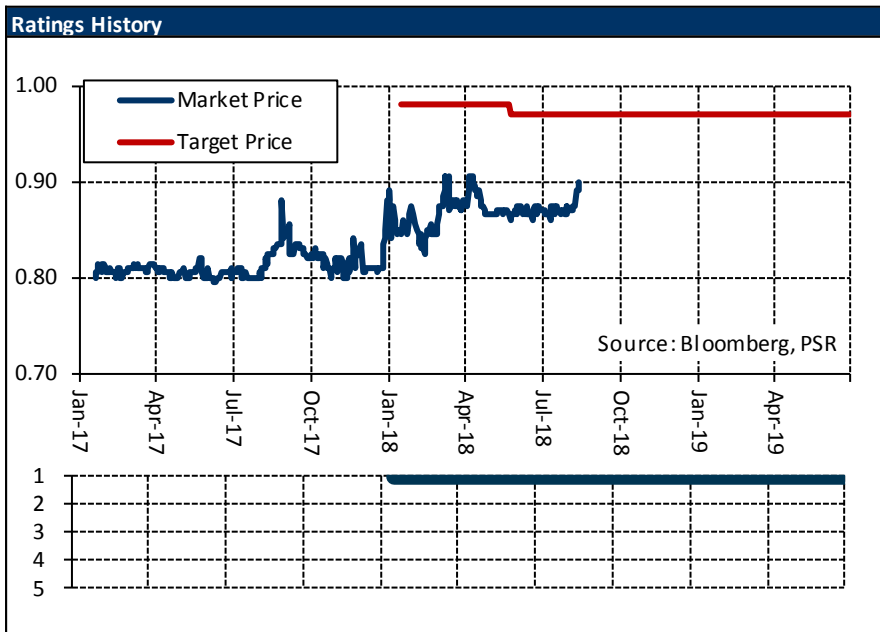
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price

Balance Sheet

Y/E Dec, SGD (mn)	FY16	FY17	FY18e	FY19e
ASSETS				
Investment properties	934.69	1,552.04	1,526.36	1,526.36
Plant and equipment	0.30	0.27	0.27	0.27
Others	-	0.52	0.52	0.52
Non Current Assets	934.99	1,552.82	1,527.15	1,527.15
Trade and Other Receivables	86.47	7.34	12.89	13.72
Cash and Cash Equivalents	16.55	40.67	23.09	24.47
Others	2.92	36.59	54.12	47.99
Current Assets	105.94	84.60	90.10	86.18
Total Assets	1,040.93	1,637.42	1,617.25	1,613.32
LIABILITIES				
Loans and borrowings	73.01	482.23	474.76	309.76
Others	154.69	283.60	283.43	283.43
Non Current liabilities	227.69	765.82	758.18	593.18
Loans and borrowings	33.53	0.81	15.00	180.00
Trade and other payables	316.06	7.05	7.96	8.88
Others	5.51	14.84	14.84	14.84
Current Liabilities	355.10	22.70	37.81	203.72
Total Liabilities	582.79	788.53	795.99	796.90
EQUITY				
Shareholder Equity	458.14	848.89	821.26	816.42

Valuation Ratios

Y/E Dec	FY16	FY17	FY18e	FY19e
P/NAV (x)	-	0.59	0.61	0.61
Distribution yield (%)	-	8.0%	8.3%	8.9%
NPI yield (%)	2.9%	3.0%	3.9%	4.1%
Growth & Margins (%)	FY16	FY17	FY18e	FY19e
Growth				
Revenue	6.3%	68.6%	31.5%	6.4%
Net property income (NPI)	10.5%	68.9%	28.7%	5.0%
DPU	-	-	4.3%	7.7%
Margins				
NPI margin	80.5%	80.7%	79.0%	78.0%
Net Income Margin	85.8%	32.0%	38.3%	38.1%
Key Ratios				
Gearing	10.2%	30.7%	30.3%	30.4%
ROA	2.8%	1.1%	1.8%	1.9%
ROE	6.4%	2.2%	3.5%	3.8%



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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