First REIT

Indonesian Healthcare – Ramping up presence at the most opportune time

SINGAPORE | REAL ESTATE (REIT) | INITIATION

28 April 2015

Investment Merits

- **Ramping up presence in Indonesian healthcare sector at the most opportune time –** First REIT's sponsor PT. Lippo Karawaci Tbk (LPKR), is aggressively ramping up its network of private hospitals across Indonesia at a time when healthcare insurance is expected to be rolled out to every citizen by 2019. Healthcare demand is expected to surge during this period. A successful execution of this expansion plan will ensure a sustained pipeline of hospital properties for First REIT. 10 out 12 of First REIT's Indonesian hospitals currently are bought from LPKR.

- **Leverage off sponsor's synergistic business and experienced hospital operator –** PT Siloam International Hospitals Tbk (Siloam), the hospital operator running LPKR's hospitals, is the largest private hospital operator is Indonesia. Even the most brilliant business idea will fail without proper execution. We visited two of the Siloam Hospitals under First REIT and are convinced of the operator's ability to spearhead LPKR's expansion plans by running a sustainable hospital operating model.

- **Master Leases provide stability; Forex risks also mitigated –** ALL of First REIT's properties are on Master Leases. Rentals for the Indonesian hospitals (~95% of NRI) are collected in SGD. Yearly valuations for First REIT's Indonesian hospitals are also done in SGD terms. These allow First REIT to capitalize on Indonesia's healthcare sector growth without being exposed to currency exchange risks.

Key Risks

- **LPKR's healthcare expansion plans fail to gain traction** - This could be due to a variety of reasons such as poor quality of medical service or inability to attract sufficient quality doctors/nurses leading to erosion of brand quality of Siloam. This could potentially choke off the supply of acquisition targets for First REIT.

- **Heavy dependence on one Master Lessee** - 88% of rental income is derived from sponsor LPKR. First REIT could be adversely affected should LPKR's operations or financial health run into problems and not be able to honor any of the Master Leases.

Investment Actions

We initiate coverage on First REIT with an "ACCUMULATE" rating and DDM-derived TP of S$1.55 (using DDM valuation, cost of equity 7.35%, terminal growth 1.5%) representing an upside of 13.6% from current price (incl dividends).

ACCUMULATE (Initiation)

LAST DONE PRICE	SGD 1.440
FORECAST DIV	SGD 0.086
TARGET PRICE	SGD 1.550
TOTAL RETURN	13.6%

COMPANY DATA

O/S SHARES (MN) :	742
MARKET CAP (USD mn / SGD mn) :	802 / 1069
52 - WK HI/LO (SGD) :	1.45 / 1.13
3M Average Daily T/O (mn) :	0.94

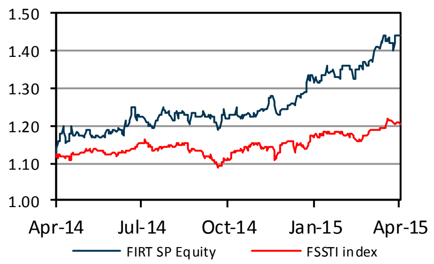
MAJOR SHAREHOLDERS (%)

LIPPO KARAWACI	27.7%
PT MENARA TIRTA INDAH	5.9%
GRANTHAM MAYO VAN OTTERLOO & CO	1.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	6.2	11.1	36.2
STI RETURN	2.4	3.9	11.3

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY13	FY14	FY15	FY16
Gross Rev. (SGD mn)	83.3	93.3	101.6	112.3
NPI	80.2	91.9	100.1	110.6
Income Av for Dist	52.2	58.2	63.3	69.7
P/NAV (x)	1.20	1.15	1.28	1.26
DPU, (Cents)	7.52	8.05	8.59	9.05
DPU Growth, %	3.6%	7.0%	6.7%	5.3%

Source: Company Data, Bloomberg

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INVESTMENT THESIS

Leverage off parent's aggressive expansion in Indonesian Healthcare sector

First REIT is able to leverage off its blue chip sponsor's strong commitment to establishing its footprint in the Indonesian healthcare industry. LPKR is the biggest Indonesian property developer by market capitalization, assets and revenue, listed in Jakarta. Its integrated business model encompasses the synergistic development of residential property, retail malls, hospitals and hotels. Such a synergistic model allows LPKR to develop hospitals in strategic locations with sufficient catchment crowds.

LPKR's current aggressive expansion plan in the healthcare sector would provide First REIT with a continuous pipeline of desirable hospital properties. High funding costs in Indonesia makes it more economically viable for LPKR to adopt an asset light strategy and pass on hospitals to First REIT for a win-win situation. We think the key is the operating model of the hospitals which will determine the success of the roll out.

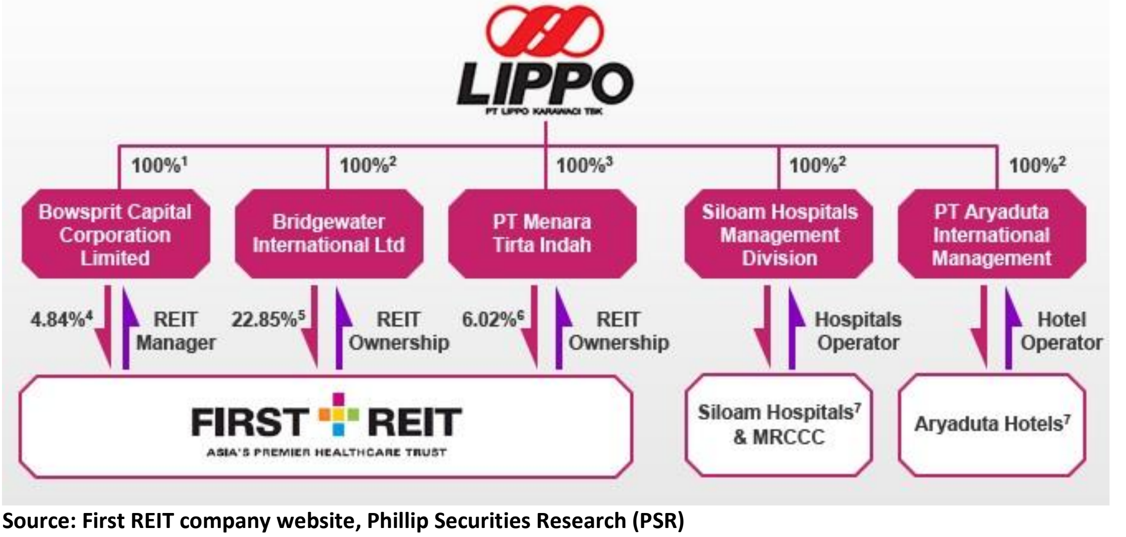
Riding of the growth of the Indonesian Healthcare sector without forex risk exposure

All of First REIT's properties are supported by long term master leases with built in escalations. The Master Leases in Indonesia provide rental incomes in SGD and appraisal of the properties are also done in SGD. Forex risks are thus mitigated. This provides an excellent system to participate in the long term growth of the healthcare sector in Indonesia without being exposed to forex exposure.

Corporate Structure

We first outline the relationship between First REIT, the sponsor PT. Lippo Karawaci Tbk (LPKR), and the hospital operator PT Siloam International Hospitals, Tbk.

Fig 1: Ownership Structure for First REIT, Sponsor (Lippo) and Hospital Operator (Siloam)



Source: First REIT company website, Phillip Securities Research (PSR)
Note: A recent sale this month has brought Lippo's latest stake in Siloam Hospitals to 70%

LPKR has a strategy of aggressive expansion to entrench their position as the leading hospital and healthcare group in Indonesia, via Siloam (as the hospital operator) and First REIT (to pass on the hospitals to recycle capital once the hospitals stabilize). From just four hospitals in 2010, LPKR now operates 20 hospitals (via SILO), and has outlined plans to hit 40-50 by end 2017. 11 of the current 20 hospitals have already been sold to First REIT for capital recycling purposes.

We think the sustainability of First REIT's growth will hinge on following three factors:

1. Whether Indonesia's healthcare sector has the capacity to absorb the rapid expansion in hospital bed supply
2. Successful execution of Siloam hospital's operating model (ability to attract quality doctors, build hospital reputation etc)
3. Financial health of LPKR (serves as Master Lessee for majority of First REIT's Indonesian hospitals)

Ample capacity in healthcare sector to absorb increased supply of beds + Smooth execution of Siloam's operating model

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LPKR successfully entrenches footprint in healthcare sector

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Sustained pipeline of good-quality hospital properties for First REIT

Key Advantages:
1. Leverage off synergistic business of sponsor to develop hospitals at strategic locations
2. First mover advantage in aggressively scaling up hospital network at a time when healthcare demand in Indonesia is expected to surge. This increases brand visibility and awareness.

PART I: HUGE CAPACITY TO ABSORB INCREASED SUPPLY OF BEDS

First REIT is a proxy to the Indonesian private healthcare sector. Healthcare demand in Indonesia is poised to increase with the official implementation of the national health insurance programme (Jaminan Kesehatan Nasional, JKN, managed by social security management agency BPJS Health) on January 2014.

The first phase covers ~120m participants but gradual roll-out to cover all Indonesians is expected by 2019. As of March this year, ~131.3m Indonesians have signed up for the scheme. Insurance premiums for the poor will also be paid for by the government's healthcare budget to make sure healthcare stays affordable and all classes of citizens are covered.

This will be beneficial to First REIT because:

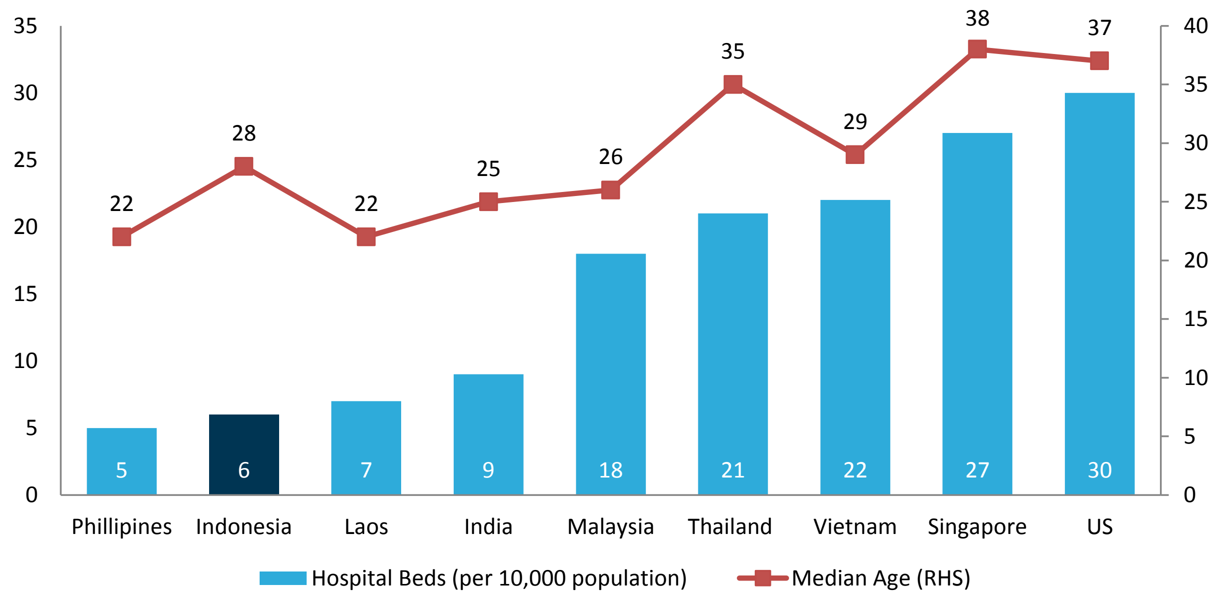
1. All the Siloam-operated hospitals in First REIT's portfolio are registered onto the plan (private hospital participation is optional). This makes private healthcare more affordable to a wider range of Indonesians. In Siloam Hospitals Makassar for instance, 58 beds out 238 beds are allocated to patients under the BPJS scheme. Take up rate for beds under this scheme has been overwhelming with 40-45 beds out of the 58 occupied daily, despite the scheme starting in Siloam Makassar in just January this year.

2. Private healthcare is expected to benefit as public hospitals get overcrowded and waiting times escalate. We think middle class Indonesians with the ability to afford private hospitals have more reasons to do so now to avoid the congested public hospitals. Subsidies also mean private healthcare is now more affordable to a bigger group of people.

Relatively young population in the region, but hospital beds/population ratio still has room to grow

Indonesia has the 4th largest population in the world at 250m. The infrastructure of the healthcare system in the country though is still clearly underdeveloped with room for improvement. According to WHO 2013 figures, hospital beds per 10,000 population ratio is only ~6, even lower when compared with lower-income countries such as Vietnam, India and even Laos. The following figure compares the bed/population ratio amongst different countries.

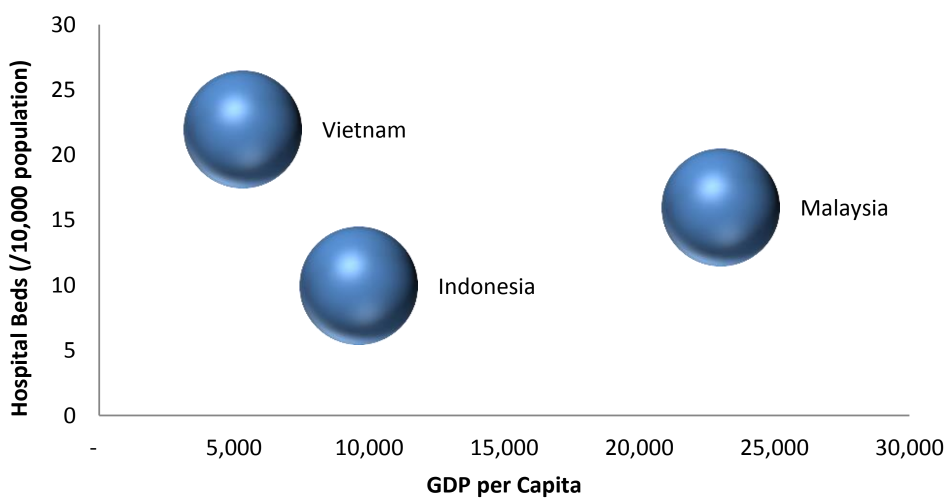
Fig 2: Beds/10,000 population – Indonesia vs Rest of World



Source: World Health Organization, WHO (2013), LPKR FY2014 Investor Presentation, PSR

It might be said to be premature to compare the ratios between Indonesia and more developed countries like UK and US currently due to Indonesia having a relatively younger population with a median age of 28 and a much smaller GDP per capita. Malaysia, Vietnam and India, would thus be better comparisons as they have a similar younger population age profile and a much smaller variance between their GDP per capita.

Fig 3: Comparison of Indonesia's bed/population ratio with 2 neighbors with closer population median age and GDP per capita



Source: CEIC, PSR

LPKR is ramping up its network of hospitals at an opportune time to grab market share. With an asset light business model, this successful rapid expansion to capture market share would mean more hospitals getting spinned off to First REIT for capital recycling purposes.

PART II: SILOAM HOSPITAL'S OPERATING MODEL

No doubt, Lippo Karawaci is the master lessee of First REIT's hospitals in Indonesia (and not Siloam Hospitals). Ability to pay off rents should hinge on Lippo Karawaci. However, we think the successful execution of expansion plans and a viable hospital operating model for Siloam Hospitals is crucial to First REIT because of the following:

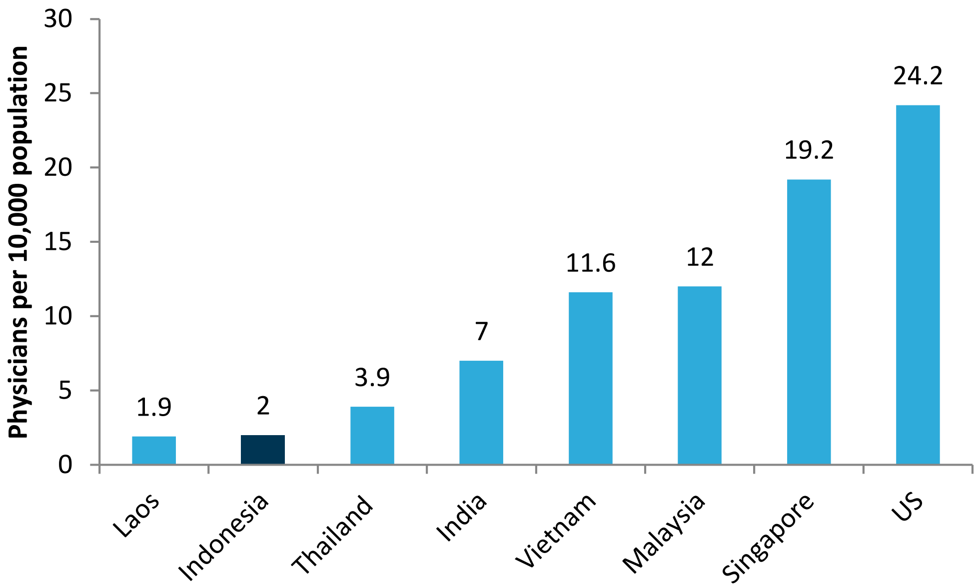
1. Successful operating model of Siloam will feed through to a successful hospital network expansion strategy for LPKR. LPKR would then be able to provide First REIT with a sustainable acquisition pipeline of hospitals as LPKR recycles capital for further expansion.

2. A feasible operating plan then would mean Siloam has the capacity and room to continue paying off escalating rents to LPKR, who is turn in responsible for the Master leases with First REIT.

Indonesia has a low "physicians per 10,000 population" ratio of 2 even compared to other countries of similar GDP per capita. In LPKR/Siloam's bid to scale up its hospital networks, we think attracting and retaining the best doctors is critical to Siloam's business model taking off and consolidating their reputation in the mid to high range healthcare segment. Indonesia's rules for foreign doctors prohibit hospitals from recruiting them.

To counter this, and to attract doctors in their expansion plan, Siloam signed a collaboration with Universitas Pelita Harapan's Faculty of Medicine, which would provide the hospital with a pipeline of new budding doctors.

Fig 4: Indonesia Physician per 10,000 Population vs other countries



Source: WHO (2013), PSR

Much like Raffles Hospital's model

During our site visit to Siloam Makassar and Manado, we understand from management that doctors usually have a "dual practice" policy. Majority of doctors under Siloam Makassar for instance, work for more than one hospital, and apportion their time in a day between these few hospitals. Much like the Raffles Hospital model, doctors get to use the clinic space for free when they bring in patients. They earn most of the consultation fees paid by the patients they bring in, and Siloam earns revenue from the use of the various facilities, such as the laboratories, scanning labs, wards, and pharmaceutical consumables.

Doctors are “partners” of the hospitals rather than employees. The key challenge is to get quality doctors to spend more time practicing at Siloam hospitals instead of at competitor hospitals. According to management of Siloam Hospital Makassar during our site visit, doctors are paid almost 100% (less a ~5% administrative charge) of the consultation fees they earn while practicing at Siloam Hospitals. This attractive pricing versus their competitors is one of the ways they attract doctors over from rival hospitals.

Brand Name, State-of-the-Art Medical Equipment and Scale to attract doctors
Siloam’s modern equipment and facilities, more competitive doctor fees, brand prominence (as the largest private hospital operator in Indonesia), and huge presence across the country should help it attract doctors and medical staff in a country where there is an undersupply of doctors.

Siloam’s rapid expansion (from 4 hospitals in 2010 to 20 currently, to a targeted 40-50 by 2017) enables it to build brand visibility and awareness at a time when healthcare demand in Indonesia is expected to surge. Notably Siloam has won various prominent awards in recent years as a testament to the quality of medical service they dish out. Some notable examples include:

Frost & Sullivan “Indonesian Healthcare Services Provider of the Year” - 2012, 2013, 2014
“Excellence” award from the Asian Hospital Management Awards – 2011
“Indonesia Sustainable Business Awards – Industry Champion” - 2013
“European Award for Best Practices” from European Society for Quality Research - 2014

Siloam also has collaborations with internationally recognized health providers like Singapore Health Services to provide joint medical training and patient referral arrangements. These collaborations further firm up Siloam’s brand name.

First mover advantage: Aggressive expansion plans vs competitors
Already the biggest private hospital operator in Indonesia, Siloam commands a ~7.5% market share by bed capacity in a fragmented market, with the nearest competitor Mitra Keluarga a distant second with ~3% market share. Owned by the pharmaceutical group PT Kalbe Farma, Mitra currently operates 2000 hospital beds across 11 hospitals in Indonesia. In the pipeline are a planned 7 new hospitals over the next five years. Siloam envisions a much more aggressive expansion plan from the current 20 hospitals to 40-50 in 2017. With no other operators nearing the same scale of expansion like Siloam’s, Siloam has a first mover advantage in ramping up its presence at an opportune time when healthcare demand is expected to surge.

PART III: MASTER LESSEE’S FINANCIAL HEALTH

LPKR is the biggest counterparty risk for First REIT, with 88% of rental income coming from the Indonesia-listed sponsor. With LPKR as Master Lessee of the bulk of their Indonesian hospitals though, First REIT has the backing of the largest listed property company in Indonesia, by revenue and total assets. Over the past 5 years, Debt/Equity Ratio for LPKR has fluctuated between 0.4-0.6. EBITDA and net profit margins have remained stable at ard 25-30% and 15-20%. Liquidity ratios too have improved over the last 4 years. Last month, Standard and Poor’s reaffirmed its ‘BB-‘ long term corporate rating on LPKR with a stable outlook. Besides S&P’s, LPKR is rated BB- by Fitch and Ba3 by Moody’s.

Healthcare has become one of LPKR’s core businesses, constituting ~30-40% of revenue. This segment provides LPKR with a high recurring income to balance the riskier and more erratic property development revenues. We expect to see LPKR place continued emphasis on this unique segment of its business which derives cashflow independent of the property cycle.

COMPANY ANALYSIS

Master Leases Provide stability

All of First REIT's properties are supported by long term master leases with built in escalations.

Fig 5: Long Stable guaranteed income. First REIT properties by lease expiries

Property	Expiry	Lease duration (Original lease term + Option to renew)
Sarang Hospital	Aug-21	10+10
Siloam Hospitals Lippo Village	Dec-21	15+15
Siloam Hospitals Kebon Jeruk	Dec-21	15+15
Siloam Hospitals Surabaya	Dec-21	15+15
Imperial Aryaduta Hotel and Country Club	Dec-21	15+15
Mochtar Riady Comprehensive Cancer Centre	Dec-25	15+15
Siloam Hospitals Lippo Cikarang	Dec-25	15+15
Pacific Healthcare Nursing Hom @ Bukit Merah	Apr-27	10+10
Pacific Healthcare Nursing Home II @ Bukit Panjang	Apr-27	10+10
The Lentor Residence	Jun-27	Additional 10y option already exercised
Siloam Hospitals Manado & Hotel Aruaduta Manado	Nov-27	15+15
Siloam Hospitals Makassar	Nov-27	15+15
Siloam Hospitals Bali	May-28	15+15
Siloam Hospitals Tb Simatupang	May-28	15+15
Siloam Hospitals Purwakarta	May-29	15+15
Siloam Sriwijaya	Dec-29	15+15

Source: Company, PSR

Growth prospects sustained, albeit at a slower pace

Gearing ratio has grown from to ~33% since IPO (zero debt at IPO). Management has indicated being comfortable with a level of around 30%. This, coupled with the impending rising interest rates (though First REIT has no refinancing need until 2017), lead us to believe that the good old days of funding acquisitions with entirely cheap debt is over. Nonetheless, most of the acquisitions undertaken by First REIT have an initial NPI yield of close to 10%, which are higher than property portfolio yield and dividend yield.

Fig 6: Initial NPI yield of acquisitons

	Indonesian Properties Acquired Last 5years	First Year Approx NPI (S$m)	Purchase Price (S$m)	NPI yield
2010	Mochtar Riady Comprehensive Cancer Centre	18.6	170.5	10.9%
	Siloam (Lippo Cikarang)	3.7	35.0	10.6%
2012	Siloam Hospitals Manado & Hotel Aryaduta Manado	8.4	83.6	10.0%
	Siloam (Makassar)	6.0	59.3	10.1%
2013	Siloam (Bali)	9.6	97.3	9.9%
	Siloam (TB Simatupang)	9.2	93.1	9.9%
2014	Siloam (Purwakarta)	3.3	31.0	10.8%
	Siloam (Sriwijaya)	3.9	39.2	9.9%

Source: Company, PSR

As First REIT's asset base grows, the impact of each addition acquisition to overall DPU would not be as accretive percentage wise as previous acquisitions. All these reasons combined, we expect growth to be slower going forward.

Distribution Reinvestment Plan (DRP) reduces need for debt

With gearing at current 33%, we would not be surprised if management holds private placements in the near future to bring down the gearing ratio. Management has introduced the distribution reinvestment plan in January 2014 which enables it to retain cash (about S$4-5m per quarter thus far) for future growth. According to management, 25-35% of Unitholders have opted for the DRP over the past few quarters.

Forex and Interest Rate Risks mitigated

The Master Leases in Indonesia provide rental incomes in SGD and appraisal of the properties are also done in SGD. Forex risks are thus mitigated. This provides an excellent system to participate in the long term growth of the healthcare sector in Indonesia without being exposed to forex exposure. Rentals for Sarang Hospital (~1% of NRI) in Korea are also collected in USD.

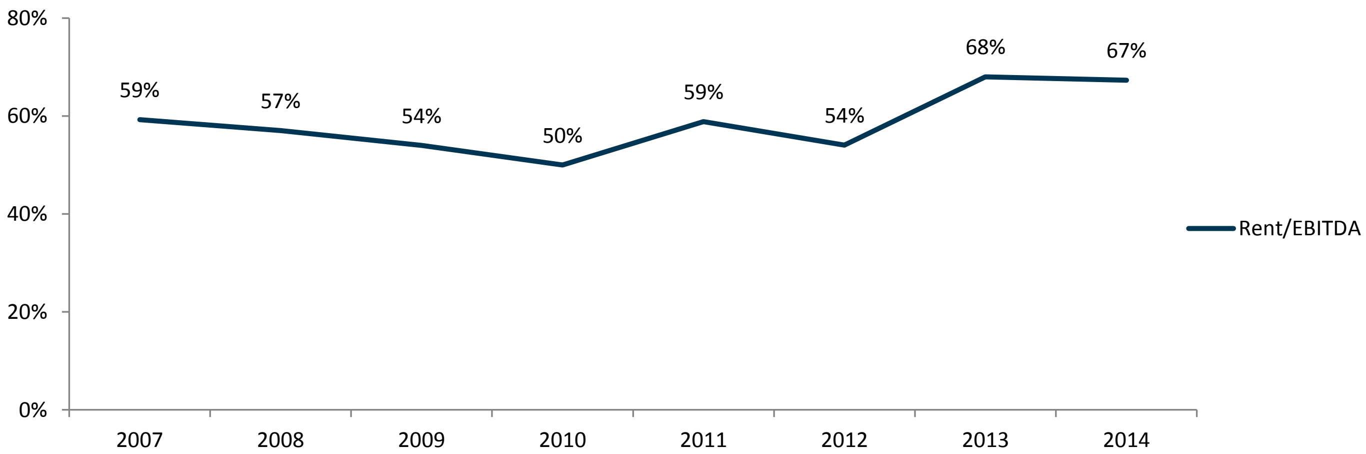
First REIT adopts a natural hedge strategy of borrowing in the same currency as the underlying assets. Since the bulk of their properties are Indonesian hospitals which are appraised in SGD terms, borrowings (loans and bonds) are similarly denominated in SGD. First REIT is therefore insulated against fluctuations in the IDR against the SGD.

To mitigate the impending rise in interest rates, First REIT has 95% of its debt (as at end FY14) on fixed interest rate basis. There is also no refinancing need until 2017. With the impending interest rate hike, we have penciled in higher finance costs for financing from FY15 onwards in our valuation forecasts.

Potential Turning Points in growth prospects for First REIT

We think a potential turning point for First REIT is when we start noticing longer gestation periods for the new hospitals which manifest into persistently high RENT/EBITDA ratios. For instance, RENT/EBITDA was 100% in the year prior to IPO for the four initial assets. Ratio has since dropped to 50-60+% since as revenues grew faster than rents. Given that half of First REIT's 12 Indonesian properties are established in 2010 or later, we think a temporary high RENT/EBITDA is understandable but would take notice if this ratio remains persistently at this high level even after a few years when more hospitals supposedly reach a more "stabilized" state.

Fig 7: Rent/EBITDA of Indonesian Properties



Source: Company, PSR

Fig 8: General Rental Terms of Leases

Property	Location	Master Lessee	General Lease Rental Terms
The Lentor Residence	Singapore	Sphere Investment Pte. Ltd.	Fixed Base Rental (SGD) and Annual increment of 2%
Pacific Healthcare Nursing Hom @ Bukit Merah		Pacific Healthcare Nursing Home Pte. Ltd.	
Pacific Healthcare Nursing Home II @ Bukit Panjang		Pacific Eldercare adnd Nursing Pte. Ltd.	
Sarang Hospital	Korea	Dr Park Ki Ju	Fixed Base Rental (USD) and Annual increment of 2%
Siloam Hospitals Lippo Village	Indonesia	LPKR	Annual rental increment (SGD): Base (2x percentage increase of Singapore CPI, subject to floor of 0% and cap of 2%) plus variable components
Siloam Hospitals Kebon Jeruk		LPKR	
Siloam Hospitals Surabaya		LPKR	
Imperial Aryaduta Hotel and Country Club		LPKR	
Mochtar Riady Comprehensive Cancer Centre		LPKR	
Siloam Hospitals Lippo Cikarang		LPKR	
Siloam Hospitals Manado & Hotel Aruaduta Manado		LPKR	
Siloam Hospitals Makassar		LPKR	
Siloam Hospitals Bali		LPKR	
Siloam Hospitals Tb Simatupang		LPKR	
Siloam Hospitals Purwakarta		PT. Metropolis Propertindo Utama (PT MPU)	
Siloam Sriwijaya		PT. Metropolis Propertindo Utama (PT MPU)	

Source: Company, PSR

VALUATION

We derive a valuation of S$1.55 for First REIT using the DDM (cost of equity 7.35%, terminal growth 1.5%) representing a total one year return of ~13.6% from current price (including dividend yield).

Fig 9: Premium in yield over Parkway Life REIT

Name	Mkt Cap (SGD, mn)	Price	Dvd Yld:D-1	Gearing	P/B
FIRST REAL ESTATE INVT TRUST	1,069	1.44	5.59	33.1%	1.48
PARKWAYLIFE REAL ESTATE	1,458	2.42	4.80	35.2%	1.41
RELIGARE HEALTH TRUST	858	1.07	6.70	12.5%	1.21

Source: Bloomberg, PSR

Fig 10: Annualized rolling dividend yield for First REIT

Source: Bloomberg, PSR

KEY RISKS:

1. LPKR's healthcare expansion plans fail to gain traction. This could be due to a variety of reasons such as poor quality of medical service or inability to attract sufficient quality doctors/nurses leading to erosion of brand quality of the Siloam Hospitals Group. This could potentially choke off the supply of acquisition targets for First REIT.

2. 88% of rental income is derived from Sponsor LPKR. First REIT could be adversely affected should LPKR's operations or financial health run into problems and not be able to honor any of the Master Leases.

CONCLUSION:

First REIT's affiliation with LPKR and Siloam is a positive for the company. In LPKR, it has the backing of a well-established property developer that is able to leverage on its synergistic property business to expand its hospital network at the strategic locations where there are residential, retail malls and hotel developments.

Siloam is already the largest private hospital operator in Indonesia, and with its current brand name, LPKR's financial clout, and access to strategically located sites, Siloam looks set to further consolidate its leading position in the healthcare sector. A successful roll-out of LPKR's expansion plans will ensure a good pipeline of quality hospital assets for First REIT in years to come.

We initiate with an ACCUMULATE call with a DDM-derived target price of $1.55.

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
Gross Revenue	**57.6**	**83.3**	**93.3**	**101.6**	**112.3**
Total Property expenses	(0.4)	(3.1)	(1.4)	(1.5)	(1.7)
Net Property Income	**57.2**	**80.2**	**91.9**	**100.1**	**110.6**
Net Finance (Expense)/Inc	(4.2)	(12.2)	(15.0)	(16.6)	(17.5)
Net Income before tax and FV changes	47.1	58.0	65.5	70.8	78.2
FV changes	30.8	61.3	47.2	-	-
Tax expense	(12.7)	(1.5)	(22.1)	(15.9)	(17.6)
Net Income after tax and FV changes	**65.2**	**118.0**	**90.6**	**54.9**	**60.6**
Distribution adjustments	(23.6)	(65.7)	(32.4)	8.4	9.0
Income available for distribution	**41.7**	**52.2**	**58.2**	**63.3**	**69.7**

Balance Sheet

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
ASSETS					
Investment properties	797	1,052	1,172	1,252	1,332
Cash and Cash Equivalents	20.5	29.3	28.2	29.8	31.4
Total Assets	**829**	**1,109**	**1,212**	**1,335**	**1,415**
LIABILITIES					
Total Current Liabilities	32.1	49.8	68.2	82.2	83.9
Interest bearing borrowings, non current	212.8	535.8	370.1	394.1	418.1
Total Non-Current Liabilities	246.6	375.8	399.2	423.2	447.2
Total Liabilities	**278.8**	**425.6**	**467.4**	**505.4**	**531.1**
EQUITY					
Shareholder Equity	**550.1**	**682.9**	**745.0**	**829.3**	**883.6**

Per share data (SGD)

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
NAV	0.83	0.97	1.02	1.13	1.15
DPU (cents)	7.3	7.5	8.1	8.6	9.0

Cash Flow

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
CFO					
Net Income before tax	77.9	119.4	112.7	70.8	78.2
Interest Expense	3.8	11.1	13.4	16.8	17.7
Management fees settled in units	4.6	5.9	6.7	7.4	8.0
Cashflow from ops	49.8	63.2	80.8	81.4	88.8
CFI					
Cashflow from investments	(147.8)	(141.9)	(67.7)	(80.0)	(80.0)
CFF					
Share issuance	28.2	-	-	56.0	56.0
Distributions to unitholders	(53.6)	(42.8)	(39.8)	(47.3)	(53.7)
Net increase in borrowings	115.6	140.6	39.3	8.0	8.0
Cashflow from financing	**86.7**	**87.3**	**(14.4)**	**(0.1)**	**(7.4)**
Net change in cash	**(12.2)**	**8.8**	**(1.1)**	**1.6**	**1.6**
CCE, end	**20.5**	**29.3**	**28.2**	**29.8**	**31.4**

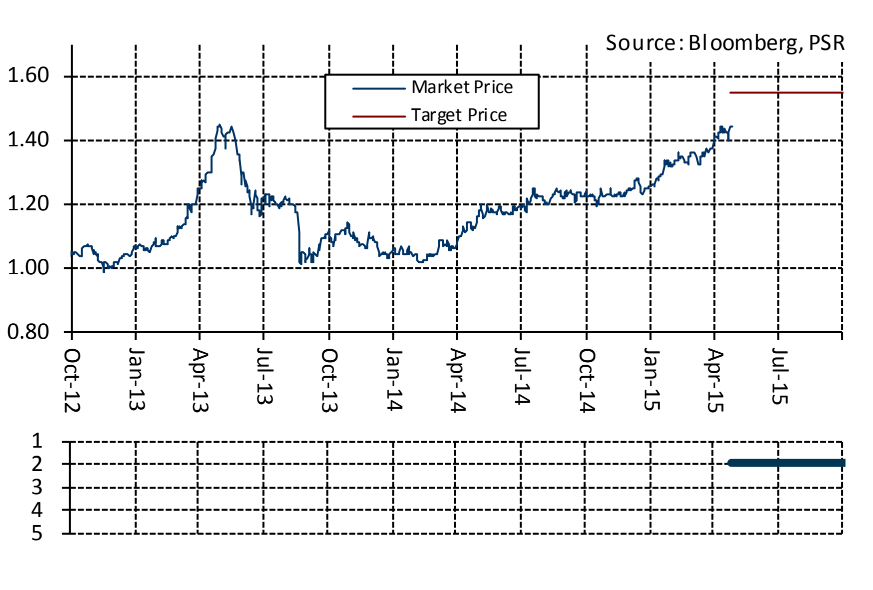
Valuation Ratios

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
P/NAV	1.12	1.20	1.15	1.28	1.26
Distribution yield (%)	7.83	6.49	6.90	5.96	6.28
NPI yield (%)	7.2%	7.6%	7.8%	8.0%	8.3%
Growth & Margins (%)	**FY12**	**FY13**	**FY14**	**FY15e**	**FY16e**
Growth					
Revenue	6.7%	44.5%	12.0%	9.0%	10.5%
Net property income (NPI)	7.1%	40.1%	14.5%	9.0%	10.5%
DPU	3.6%	3.6%	7.0%	6.7%	5.3%
Margins					
NPI margin	99.3%	96.3%	98.5%	98.5%	98.5%
Operating Income Margin	81.7%	69.7%	70.3%	69.7%	69.7%
Key Ratios					
Net Gearing (X)	26.0%	32.3%	33.1%	31.4%	31.3%

Source: Company, Phillip Securities Research (Singapore) Estimates

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

Ratings History



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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