

OUE Commercial REIT

Analyst Briefing Key Takeaways

SINGAPORE | REAL ESTATE (REIT) | NON-RATED NOTE

We attended the OUE Commercial REIT ("OUECT") FY2014 Results Briefing held on 26th January after trading hours. Key Takeaways:

- **OUE Bayfront: Update on expiring leases in FY15** – Most of the leases expiring in FY15 for OUE Bayfront are at the low \$9+ levels. Management has guided that positive rental reversion rates in the mid-teens for FY15 should be achievable due to the low base of these expiring leases, even though general growth in office rental rates this year is not expected to reach the 14-15% level achieved last year.
- **Move towards a smoother, less lumpy lease expiry profile** – Management has started to sign tenants on longer leases (5 years instead of the typical 3), both in Singapore and China, as they try to achieve a smoother lease expiry profile compared to that at IPO.
- **Lippo Plaza tenant profile** – Lippo Plaza is made up of many small tenants instead of few large single tenants. This explains the small quarter-on-quarter fluctuations in occupancy rates over the past year. Management is comfortable with a stabilized occupancy rate of ~94-95% for Lippo Plaza.
- **Update on Lippo Plaza lease renewals** – Demand for the Lippo Plaza office space is driven mainly by expansion plans from boutique fund houses, trading firms, and consulting firms. Despite having ~70% (by Gross Rental Income) of leases expiring in next 2 years, management does not foresee occupancy rates falling below 90% during this period as they negotiate renewals.
- **Outlook for China Property remains challenging** – Management has guided that the outlook for China remains "challenging" and rental reversions for Lippo Plaza in the coming year are expected to average in the +3-5% range.

Investment Action

No stock rating or price target provided, as we do not have coverage on OUECT.

Results at a glance

(\$ mn)	4Q14			27 Jan 2014 (Listing Date) to 31 Dec 2014			Comments
	Actual	Forecast	Variance (%)	Actual	Forecast	Variance (%)	
Gross revenue	19.56	17.47	12.0	71.55	69.04	3.6	Due to better occupancy and rental reversions
Net property income	14.36	12.50	14.9	53.83	50.32	7.0	Savings in utilities cost
Distributable income	12.58	11.92	5.5	45.91	43.91	4.5	
DPU (Cents)	1.44	1.37	5.1	5.27	5.05	4.4	4Q % increase less than NPI due to lower drawdown of income support

Source: Company, Phillip Securities Research (Singapore)

27 January 2015

Non-rated

LAST DONE PRICE	SGD 0.830
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

COMPANY DATA

O/S SHARES (MN) :	870
MARKET CAP (USD mn / SGD mn) :	537 / 722
52 - WK HI/LO (SGD) :	0.84 / 0.77
3M Average Daily T/O (mn) :	0.31

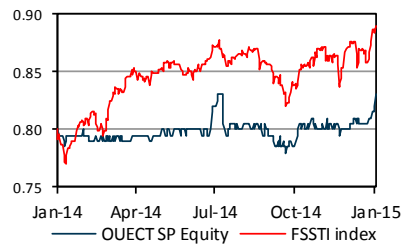
MAJOR SHAREHOLDERS (%)

CLIFFORD DEVELOPMENT PTE. LTD.	47.6%
JINQUAN TONG	16.2%
TANG GORDON	3.6%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	2.5	4.5	5.6
STIRETURN	13	5.8	13.9

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 14
Gross Rev. (SGD mn)	715
NPI (SGD mn)	53.8
Dist. Inc. (SGD mn)	45.9
P/NAV (x)	0.73
DPU, adj (Cents)	5.27
Distribution Yield, %	7.0

Source: Company Data, Bloomberg

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