

Dasin Retail Trust

Mitigating the DPU gap (Amended)

SINGAPORE | REAL ESTATE (REIT) | 3Q19 RESULTS

- 3Q19 NPI and DPU came in within our forecasts.
- The proposed acquisition of Shunde and Tanbei Metro Mall will lift underlying DPU by 4.3%.
- We lower our revenue and DPU forecasts to reflect the weakening RMB and retail outlook and incorporate the acquisition of Doumen (completed 12 September 2019), Shunde and Tanbei (TBC 1Q20) Metro Malls.
- Maintain ACCUMULATE with lower TP of S\$0.88 (previously S\$0.94).

Results at a glance

SGD mn	3Q19	3Q18	YoY (%)	Comments
Gross Revenue	18.7	18.1	3.5%	Higher due to acquisition of Doumen Metro Mall (acquired 12 Sep 2019), partially offset by the depreciation of the RMB. In RMB terms excluding the acquisition, revenue grew 0.3%
Net Property Income	14.8	14.5	1.8%	
Net Income	2.8	5.5	-48.2%	Lower due to Doumen acquisition expenses and stamp duty (S\$1.1mn) and higher exchange losses (3Q19/3Q18 S\$1.8/S\$0.5mn)
Amount available for distribution	5.7	5.3	6.8%	
DPU (Cents)*	1.71	1.81	-5.5%	Lower due to enlarged share base from preferential offering versus 18 days of contribution from Doumen

* with distribution waiver

Source: Company, PSR

The Positive

+ Revenue grew 0.3% in SGD terms despite the weakening RMB. Revenue grew on the back of built-in rental escalation as well as higher revenues post-AEI at Shiqi and Xiaolan Metro Mall.

+ High portfolio occupancy of 98.6% and WALE by GRI of 4.1 years. Dasin's portfolio is underpinned by assets with high occupancy and long WALE, with high proportions of leases on fixed (13%) and fixed with build-in escalation (66%) ranging 3% to 10% in rental escalation per annum.

The Negative

- Weaker China retail outlook dampened tenant sales. Tenant sales was positive for the preceding two quarters, however in 3Q19 tenant sales came in flat, in line with the weaker China retail market.

What else is new?

Proposed acquisition of Shunde Metro Mall and Tanbei Metro Mall

Dasin announced the proposed acquisition of Shunde Metro Mall and Tanbei Metro Mall from the Sponsor on 13 November 2019. The acquisition will be pro forma NAV and DPU accretive and increase the portfolio WALE and NPI Yield. The agreed property value of RMB 1,8980.8mn (S\$364.3mn) and RMB 55.6mn (S\$10.7mn) represents a 25.2% and 25.4% discount to its respective valuations. The proposed acquisitions will increase the AUM by 18.1%, contributing 15.0% of revenue to the enlarged portfolio.

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27 November 2019

ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 0.84
FORECAST DIV	SGD 0.070
TARGET PRICE	SGD 0.88
TOTAL RETURN	13.1%

COMPANY DATA

BLOOMBERG CODE:	DASIN SP
O/S SHARES (MN):	644
MARKET CAP (USD mn / SGD mn):	396 / 541
52 - WK HI/LO (SGD):	0.91 / 0.83
3M Average Daily T/O (mn):	0.13

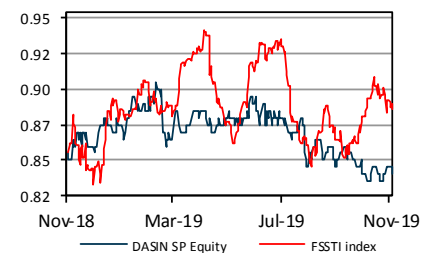
MAJOR SHAREHOLDERS (%)

AQUA WEALTH HOLDINGS LIMITED	66.1%
CHINA ORIENT ASSET MANAGEMENT CO	9.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	-	3.6	15.1
STI RETURN	2.4	(4.0)	(4.3)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E	Dec, SGD (mn)	FY17	FY18	FY19e	FY20e
Gross Revenue	58	71	76	113	
NPI	47	57	62	96	
Dist Inc.	-	21	25	39	
P/NAV (x)	-	0.62	0.62	0.58	
ROE (%)	2.2%	3.0%	2.6%	3.4%	
DPU (Cents)*	0.0	7.2	7.0	7.0	
Dist yield (%)	8.5%	8.6%	8.3%	8.4%	

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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Shunde Metro Mall’s GFA and NLA of 177,276 sqm and 66,678 sqm makes it comparable in size to the larger malls in Dasin’s portfolio (Xiaolan, Ocean and Doumen Metro Malls) and will contribute more significantly to the portfolio. Tanbei Metro Mall, with GFA and NLA of 13,640 sqm and 8,952 sqm respectively, is comparable in size to Dasin E-Colour, and faces little competition from as there is only one mall in the vicinity. Both malls have a long WALE by GRI of 5.2 and 7.7 years respectively.

List of abbreviations:
 NPI – Net property income
 DPU – Distributions per unit
 WALE – Weighted average lease expiry
 GRI – Gross rental income
 AUM – Assets under management
 GFA – Gross floor area
 NLA – Net lettable area
 ROFR – Right of first refusal

The proposed acquisition is will likely be c.68% debt funded and will increase Dasin’s gearing from 36.8% to 39.2%. Dasin intends to issue c.120mn (sponsor may subscribe to 44mn units). As this is an interested-party transaction, the acquisition will be subject to a shareholders’ vote at an EGM to be convened. If approved, the transaction is expected to be completed by 1Q20.

Recall that Dasin has a distribution waiver where two of Dasin’s largest shareholders elected to waive their rights to distributions (DPU) until FY22. The distribution waiver is meant to provide short-term DPU support to smooth over the gestation period of the two younger malls in the portfolio, Dasin E-Colour and Ocean Metro Mall. The number of units that will not be entitled to distributions will decline over the years such that the “DPU support” will fall off gradually.

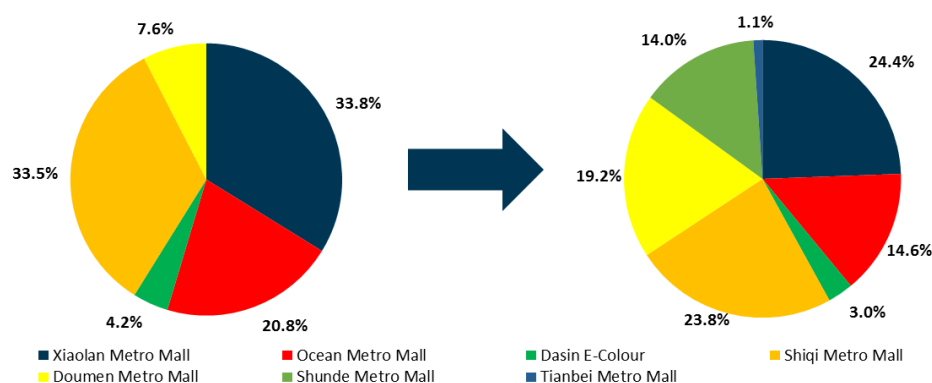
Figure 1 shows our FY19e and FY20e with and without the proposed acquisition. The proposed acquisition of Shunde and Tanbei Metro Mall will improve the DPU and DPU yield (Figure 1) as well as provide better income diversification (Figure2).

Figure 1:

(\$\$ mn)	FY19e	FY20e	Change (%)
Without Acquisition			
NPI	76	95	23.8
Dist. Waiver	47	32	-31.0
No. of units aft. Waiver	398	461	16.0
DPU (cents)	6.98	7.22	3.5
Dist. Yield w Waiver	8.1%	8.3%	+0.2 ppts
Dist. Yield w/o Waiver	4.7%	5.8%	+1.1 ppts
With Acquisition			
NPI	62	96	55.0
Dist. Waiver	25	41	60.5
No. of units aft. Waiver	398	587	47.6
DPU (cents)	6.97	7.27	4.3
Dist. Yield w Waiver	8.3%	8.7%	+0.5 ppts
Dist. Yield w/o Waiver	4.8%	6.4%	+1.6 ppts

Source: Company, PSR

Figure 2: FY20e revenue breakdown - better income diversification across enlarged portfolio



Source: PSR

Outlook

We remain positive on the inorganic growth prospects for Dasin. There remains a ROFR pipeline of 18 properties spanning four cities – six of which are still under construction. Key risks to our valuation remain the FX volatility and the depreciation of the RMB

Maintain ACCUMULATE with a lower target price of S\$0.88.

Our target price of S\$0.88 (previously S\$0.94) translates to a FY19e/FY20e yield of 8.3%/8.7% and a FY19e P/NAV of 0.62x. Our lower target price was due to adjustments to our revenue forecasts to reflect the weakening RMB and incorporate the acquisition of Doumen (completed 12 September 2019), Shunde and Tanbei (TBC 1Q20) Metro Malls.

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD (mn)	FY16	FY17	FY18	FY19e	FY20e
Gross Revenue	34.2	57.7	71.3	76.4	113.1
Property operating expenses	(6.7)	(11.1)	(14.0)	(14.8)	(17.5)
Net Property Income	27.6	46.6	57.3	61.6	95.5
Trustee-Manager's fees	0.0	(3.4)	(4.4)	(4.5)	(8.5)
Others	8.6	6.0	(2.6)	(2.2)	0.0
Net finance income/(expenses)	(6.6)	(22.9)	(25.6)	(29.3)	(43.3)
Net Income	29.4	18.5	22.9	22.2	38.2
Net change in fair value of invt.	3.9	14.0	(22.1)	(21.7)	0.0
Profit before income tax	33.3	1.2	6.1	2.6	26.0
Income tax expense	(7.6)	(13.7)	(12.3)	(9.8)	(17.8)
Profit for the period	25.6	18.9	(11.5)	(9.3)	20.4
Distribution adjustments	0.0	(0.8)	32.7	34.6	18.9
Amount available for distribution	0.0	18.0	21.2	25.3	39.3
Distributable profit	0.0	0.0	21.2	25.3	39.3

Per share data (Cents)

Y/E Dec	FY16	FY17	FY18	FY19e	FY20e
NAV		1.5	1.4	1.3	1.4
DPU	-	7.2	7.2	7.0	7.0

Cash Flow

Y/E Dec, SGD (mn)	FY16	FY17	FY18	FY19e	FY20e
CFO					
Profit before income tax	33.3	32.5	0.8	0.5	38.2
Adjustments	0.5	0.6	52.4	58.0	51.9
WC changes	(0.6)	20.2	6.1	3.0	(230.2)
Cashflow from ops	33.2	53.3	59.3	61.5	(140.0)
Income tax (paid)/refunded	(1.7)	(5.8)	(9.1)	(9.8)	(17.8)
Net cash from/(used) for ops	31.5	47.5	50.2	51.7	(157.9)
CFI					
Acquisition of subsidiaries	1.2	(521.0)	-	(136.5)	(333.0)
Others	0.1	0.7	11.3	(1.5)	-
Cashflow from investing activities	1.3	(520.3)	11.3	(138.1)	(333.0)
CFF					
Distributions paid	-	(7.4)	(20.9)	(28.8)	(39.3)
Issuance of units	13.7	146.4	-	-	107.5
Loans, net of repayments	(23.6)	402.0	6.2	109.9	225.5
Others	(6.3)	(64.9)	(20.1)	40.0	(40.9)
Cashflow from financing	(16.2)	476.0	(34.9)	121.2	252.9
Net change in cash	16.7	3.2	26.6	34.8	(238.0)
CCE, end	16.5	20.2	(104.4)	(69.6)	(307.6)
Add: Restricted Cash	-	20.5	24.2	31.7	31.7

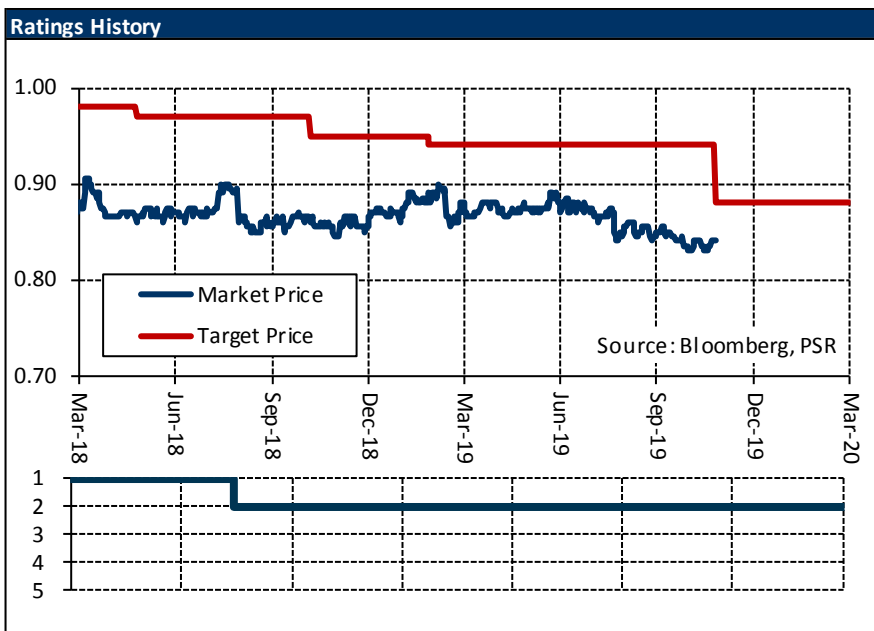
Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, SGD (mn)	FY16	FY17	FY18	FY19e	FY20e
ASSETS					
Investment properties	934.7	1,552.0	1,478.7	1,831.9	2,333.2
Plant and equipment	0.3	0.3	0.3	0.2	0.1
Others	-	0.5	1.3	0.3	0.3
Non Current Assets	935.0	1,552.8	1,480.3	1,832.4	2,333.6
Trade and Other Receivabl	86.5	7.3	6.2	12.1	14.8
Cash and Cash	16.5	40.7	69.2	86.1	69.6
Others	2.9	36.6	23.8	23.8	23.8
Current Assets	105.9	84.6	99.2	122.0	108.1
Total Assets	1,040.9	1,637.4	1,579.4	1,954.4	2,441.8
LIABILITIES					
Loans and borrowings	73.0	482.2	314.9	519.9	956.8
Others	154.7	283.6	276.1	326.8	326.8
Non Current liabilities	227.7	765.8	590.9	846.8	1,283.6
Loans and borrowings	33.5	0.8	185.6	199.3	-
Trade and other payables	316.1	7.1	11.6	20.2	14.2
Others	5.5	14.8	15.3	18.6	18.6
Current Liabilities	355.1	22.7	212.5	238.2	32.8
Total Liabilities	582.8	788.5	803.4	1,084.9	1,316.4
EQUITY					
Shareholder Equity	458.1	848.9	776.0	869.4	1,125.4

Valuation Ratios

Y/E Dec	FY16	FY17	FY18	FY19e	FY20e
P/NAV (x)	-	-	0.62	0.62	0.58
Distribution yield	-	8.5%	8.6%	8.3%	8.4%
NPI yield	-	3.0%	3.9%	3.4%	4.1%
Growth & Margins	FY16	FY17	FY18	FY19e	FY20e
Growth					
Revenue	-	68.6%	23.6%	7.1%	48.0%
Net property income (NPI)	-	68.9%	23.1%	7.5%	55.0%
DPU	-	-	0.8%	-3.5%	0.7%
Margins					
NPI Margin	81%	81%	80%	81%	85%
Net Income Margin	86%	32%	32%	29%	34%
Key Ratios					
Gearing	10.2%	30.7%	31.7%	36.8%	39.2%
ROA	2.8%	1.1%	1.5%	1.1%	1.6%
ROE	6.4%	2.2%	3.0%	2.6%	3.4%



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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