

Singapore

ADD (previously HOLD)

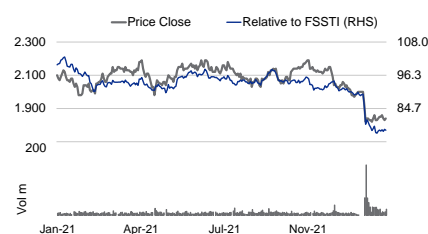
Consensus ratings*: Buy 8 Hold 6 Sell 0

Current price:	S\$1.84
Target price:	S\$2.18
Previoustarget:	S\$2.32
Up/downside:	18.6%
CGS-CIMB / Consensus:	0.2%
Reuters:	MACT.SI
Bloomberg:	MCT SP
Market cap:	US\$4,547m
	S\$6,113m
Average daily turnover:	US\$18.44m
	S\$25.00m
Current shares o/s:	2,890m
Free float:	65.9%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.5	-14.4	-13.2
Relative (%)	-12.8	-16.5	-24.3

Major shareholders	% held
Temasek Holdings	34.1
Schroders	9.0
Vanguard Group	2.2

Errata: "Our TP has factored in lower COE to reflect the rising interest rate environment" in the last paragraph has been corrected to "higher COE".

Analyst(s)



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Mapletree Commercial Trust

A stable quarter despite challenges

- MCT's 9MFY22 NPI of S\$291.3m (+5.6% yoy) came in line with our forecast.
- Lower rental rebate and lease pre-termination compensation boosted 9MFY22 revenue.
- Upgrade to Add. MCT is trading at a more palatable valuation.

Lower rental rebates boosted 9MFY22 revenue and NPI

Mapletree Commercial Trust's (MCT) 9MFY22 revenue of S\$374m (+7.3% yoy) was mainly due to lower rental rebates as compared to a year ago, as well as higher compensation received from lease pre-terminations. In tandem with the increase in revenue, NPI climbed 5.6% yoy to S\$291.3m, which came in line at 76% of our full-year forecast. All properties reported stronger revenue in 9MFY22, except for Mapletree Anson, which saw a slight 0.8% drop in revenue due to lower occupancy.

VivoCity's tenant sales recovered close to pre-Covid 19 levels

VivoCity's 9MFY22 revenue and NPI increased 15.1% yoy and 12.9% yoy to S\$135m and S\$99.8m respectively, driven by lower rental rebates yoy. YTD FY22, MCT distributed 1.1 months of rental rebates for eligible tenants vs. 4.4 months in the full year of FY21. 3QFY22 tenant sales further recovered to almost 90% of pre-pandemic levels due to easing Covid-19 restrictions from Nov 2021 and strong festive spending. Shopper traffic improved qoq in 3QFY22 but remained at c.50% of pre-Covid 19 levels. Actual occupancy rate of VivoCity was flattish qoq at 98.4% in 3QFY22 vs. 98.6% in 2QFY22. Committed occupancy was slightly lower at 98.9% vs. 99.6% in 2QFY22.

Relatively stable performance from office/business park

Office/business park's 9MFY22 revenue and NPI improved 3.3% and 2.2% yoy to S\$239m and S\$191.6m, respectively, driven by MBC, mTower and MLHF. It continued to make progress in backfilling mTower, resulting in its committed occupancy improving from 80.4% in 2QFY22 to 87.6% in 3QFY22. The majority of mTower's vacancy was due to the negotiated pre-termination of a lease and the compensation received in 2QFY22 was able to provide more than a year's rent. MBC experienced a 1.2% pts qoq decline in actual occupancy to 92.8% but committed occupancy remained stable at 96.7% in 3QFY22. Mapletree Anson's committed occupancy continued to slip on a qoq basis to 95.9% but this is a smaller asset, contributing to 6.8% of MCT's 9MFY22 portfolio revenue.

Upgrade from Hold to Add at a lower DDM-based TP of S\$2.18

MCT's share price has depreciated by 8% since the announcement of the merger with MAGIC on 31 Dec 2021. While MCT will lose its status as a pure Singapore REIT post merger, we think the benefits of the merger could be felt in the longer run when the enlarged entity delivers accelerated growth prospects. The REIT is now trading at a more palatable valuation of 5.2% yield. Our TP has factored in higher COE to reflect the rising interest rate environment. Upside/downside risks include accretive acquisition/weaker rental reversion.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Gross Property Revenue (S\$m)	482.8	479.0	486.9	536.1	546.6
Net Property Income (S\$m)	377.9	377.0	424.4	471.0	480.6
Net Profit (S\$m)	543.1	68.6	306.0	351.0	360.2
Distributable Profit (S\$m)	243.2	286.7	297.3	325.1	333.4
Core EPS (S\$)	0.08	0.08	0.09	0.11	0.11
Core EPS Growth	(0.4%)	(6.9%)	16.8%	14.4%	2.3%
FD Core P/E (x)	20.78	22.39	19.97	17.45	17.06
DPS (S\$)	0.080	0.095	0.095	0.098	0.100
Dividend Yield	4.35%	5.16%	5.17%	5.30%	5.42%
Asset Leverage	33.4%	33.9%	34.3%	34.3%	34.3%
BVPS (S\$)	1.90	1.72	1.71	1.70	1.70
P/BV (x)	0.97	1.07	1.08	1.08	1.09
Recurring ROE	5.05%	4.54%	5.38%	6.19%	6.35%
% Change In DPS Estimates			0%	0%	0%
CGS-CIMB/Consensus DPS (x)			1.02	0.99	0.98

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Mar (S\$ m)	3Q FY22	3Q FY21	yoy % chg	qoq % chg	3QFY22 Cum	3QFY21 Cum	yoy % chg	Prev. FY22F	Comments
Revenue	130.3	130.0	0.2	8.9	374.0	348.7	7.3	462.5	Stronger performance mainly due to lower rental rebates granted to tenants and compensation from pre-termination of leases.
Direct expenses	(28.8)	(25.6)	12.7	8.1	(82.7)	(72.8)	13.6	(70.8)	
Net property income	101.5	104.4	(2.9)	9.1	291.3	275.9	5.6	391.7	NPI came in line at 76.2% of our full year forecast.
NPI margin (%)	77.9	80.3			77.9	79.1	(1.6)	84.7	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell



Refinitiv ESG Scores



MCT scored C in its combined ESG score in FY21, according to Refinitiv, with a C- for environmental, C for social and B- for governance. MCT scored A+ in controversies. The company's environmental pillar score was weighed down by weak emissions and environmental innovation scores while social pillar was weighed down by lack of disclosures in human rights and community categories. As a REIT, MCT has obtained several real estate sustainability certifications, which is the main benchmark for the real estate industry, and has set targets for responsible practices.

Keep your eye on

MCT scored C- for environmental and C for social.

Implications

The delay in implementing/disclosing detailed responsible practices poses a drag on the stock. Having said this, we note that MCT is stepping up its ESG efforts. For example, all of MCT's five properties have obtained Green Mark Certification with three certified Platinum and the remaining two certified Green Mark Gold Plus. It also generated close to 1.6m kilowatt of solar energy from the solar panels atop VivoCity and MLHF. In addition, the company secured green loans in FY21. MCT has set out various targets for other components of the ESG pillars (anti-corruption, compliance with laws and regulations, safety and health, employment and talent retention, etc.).

ESG highlights

Based on Refinitiv's score, MCT ranked 67 out of 96 companies in Singapore and 22 out of 27 REITs in Singapore.

Implications

MCT has demonstrated its commitment towards ESG. We believe stronger focus, faster implementation and better disclosures will help improve its ESG scores.

Trends

MCT's combined score rose from C- in FY20 to C in FY21, thanks to improvements in all pillars - environmental (D+ to C-), social (C- to C) and governance (C+ to B-).

Implications

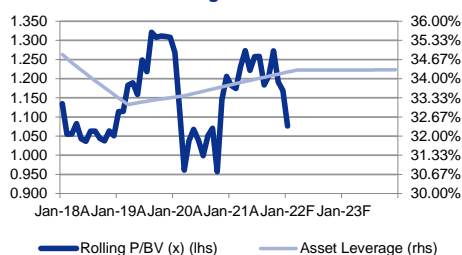
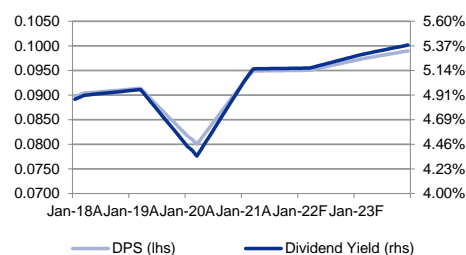
Continuous efforts to improve ESG will have a positive impact on its operation and financials in the longer term.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 2: Sector comparison

SREIT	Bloomberg Ticker	Rec.	Price (LC) as at 25 Jan 22	Target Price (LC) (DDM-based)	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	FY21F Yield	FY22F Yield	FY23F Yield
Hospitality											
Ascott Residence Trust	ART SP	Add	1.03	1.22	\$2,510	35.9%	1.19	0.87	4.1%	4.8%	6.2%
CDL Hospitality Trust	CDREIT SP	Add	1.16	1.32	\$1,061	39.1%	1.29	0.90	3.5%	4.2%	5.8%
Far East Hospitality Trust	FEHT SP	Add	0.57	0.75	\$837	41.3%	0.79	0.72	4.4%	4.5%	5.7%
Fraser's Hospitality Trust	FHT SP	NR	0.50	NA	\$711	37.7%	0.65	0.76	3.9%	4.2%	4.4%
Simple Average						38.5%		0.81	4.0%	4.4%	5.5%
Industrial											
AIMS AMP	AAREIT SP	NR	1.42	NA	\$749	33.6%	1.34	1.06	6.3%	6.8%	7.0%
Ascendas REIT	AREIT SP	Add	2.85	3.31	\$8,899	37.6%	2.25	1.27	5.4%	5.9%	6.1%
ARA LOGOS Logistics Trust	ALLT SP	Add	0.87	0.98	\$940	39.5%	0.67	1.30	5.8%	5.8%	5.9%
ESR-REIT	EREIT SP	Add	0.45	0.54	\$1,334	42.9%	0.40	1.12	6.6%	7.0%	7.2%
Fraser's Logistics & Commercial Trust	FLT SP	Add	1.44	1.62	\$3,948	36.4%	1.14	1.26	5.3%	5.8%	5.8%
Keppel DC REIT	KDCREIT SP	Add	2.22	2.70	\$2,833	36.7%	1.21	1.83	4.5%	4.8%	4.8%
Mapletree Industrial Trust	MIINT SP	Add	2.61	3.16	\$5,164	31.0%	1.75	1.49	4.8%	5.1%	5.5%
Mapletree Logistics Trust	MLT SP	Hold	1.75	2.11	\$6,081	38.4%	1.33	1.32	4.8%	4.9%	4.9%
Sabana Shariah	SSREIT SP	NR	0.44	NA	\$341	33.4%	0.51	0.85	na	na	na
Simple Average						36.6%		1.36	5.5%	5.8%	5.9%
Office											
Keppel REIT	KREIT SP	Add	1.16	1.29	\$3,188	38.9%	1.29	0.90	5.0%	5.0%	5.1%
OUE Commercial REIT	OUECT SP	Hold	0.42	0.45	\$1,700	38.0%	0.58	0.72	6.9%	6.7%	6.7%
Suntec REIT	SUN SP	Add	1.55	1.79	\$3,289	43.1%	2.06	0.75	5.4%	6.0%	6.1%
Simple Average						40.0%		0.79	5.8%	5.9%	6.0%
Retail											
CapitaLand Integrated Commercial	CICT SP	Add	1.98	2.57	\$9,732	40.5%	2.05	0.97	5.3%	5.7%	5.7%
Fraser's Centrepoint Trust	FCT SP	Add	2.27	2.73	\$2,872	33.9%	2.31	0.98	5.3%	5.5%	5.6%
Lendlease Global Commercial REIT	LREIT SP	Add	0.86	0.96	\$762	35.5%	0.85	1.01	5.4%	5.5%	6.2%
Mapletree Commercial Trust	MCT SP	Add	1.84	2.18	\$4,547	34.1%	1.72	1.07	5.2%	5.2%	5.3%
SPH REIT	SPHREIT SP	Add	0.98	1.03	\$2,041	30.3%	0.91	1.08	5.5%	5.4%	5.4%
Starhill Global REIT	SGREIT SP	Add	0.64	0.71	\$1,061	36.1%	0.81	0.79	6.2%	6.5%	6.8%
Simple Average						35.1%		0.98	5.5%	5.6%	5.8%
Overseas-centric											
CapitaLand China Trust	CLCT SP	NR	1.30	NA	\$1,472	34.7%	1.55	0.84	6.8%	7.5%	7.6%
Elite Commercial REIT	ELITE SP	Add	0.67	0.77	\$427	42.1%	0.62	1.07	8.2%	7.7%	8.2%
Mapletree North Asia Commercial Trust	MAGIC SP	Add	1.10	1.13	\$2,886	41.8%	1.24	0.89	5.6%	6.3%	7.2%
Manulife US REIT	MUST SP	Add	0.67	0.92	\$1,167	41.6%	0.71	0.94	8.3%	8.7%	9.2%
Sasseur REIT	SASSR SP	Add	0.82	1.03	\$738	27.8%	0.94	0.87	8.2%	8.8%	9.1%
Simple Average						38.4%		0.92	0.07	0.08	0.08
Healthcare											
Parkway Life REIT	PREIT SP	Add	4.91	5.05	\$2,209	37.0%	1.95	2.52	2.9%	3.0%	3.1%
Simple Average						36.0%		2.52	2.9%	3.0%	3.1%
Simple average for SIN						37.2%		1.08	5.5%	5.8%	6.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs Asset Leverage

Dividend Yield vs Net DPS

Profit & Loss

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Rental Revenues	482.8	479.0	486.9	536.1	546.6
Other Revenues					
Gross Property Revenue	482.8	479.0	486.9	536.1	546.6
Total Property Expenses	(104.9)	(102.0)	(62.6)	(65.1)	(66.0)
Net Property Income	377.9	377.0	424.4	471.0	480.6
General And Admin. Expenses					
Management Fees	(35.1)	(37.5)	(37.1)	(38.7)	(39.1)
Trustee's Fees	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)
Other Operating Expenses	(1.3)	(1.2)	(1.4)	(1.4)	(1.4)
EBITDA	340.5	337.3	384.7	429.9	439.1
Depreciation And Amortisation					
EBIT	340.5	337.3	384.7	429.9	439.1
Net Interest Income	(78.0)	(76.1)	(78.8)	(78.8)	(78.9)
Associates' Profit					
Other Income/(Expenses)					
Exceptional Items	280.6	(192.6)	0.0	0.0	0.0
Pre-tax Profit	543.1	68.6	306.0	351.0	360.2
Taxation	(0.0)	(0.0)	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Net Profit	543.1	68.6	306.0	351.0	360.2
Distributable Profit	243.2	286.7	297.3	325.1	333.4

Cash Flow

(\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Pre-tax Profit	543.1	68.6	306.0	351.0	360.2
Depreciation And Non-cash Adj.	78.0	76.1	78.8	78.8	78.9
Change In Working Capital	13.4	6.5	(75.8)	3.1	1.1
Tax Paid	0.0	(4.0)	0.0	0.0	0.0
Others	(264.3)	208.3	(23.2)	(29.8)	(30.7)
Cashflow From Operations	370.2	355.4	285.7	403.2	409.5
Capex	0.0	0.0	0.0	0.0	0.0
Net Investments And Sale Of FA	(904.8)	(14.3)	0.0	0.0	0.0
Other Investing Cashflow	0.6	0.6	0.5	0.5	0.4
Cash Flow From Investing	(904.2)	(13.7)	0.5	0.5	0.4
Debt Raised/(repaid)	(195.8)	189.7	0.0	0.0	0.0
Equity Raised/(Repaid)	918.6	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	(316.0)	(325.1)	(333.4)
Cash Interest And Others	(172.0)	(404.7)	(79.4)	(79.4)	(79.4)
Cash Flow From Financing	550.8	(215.0)	(395.4)	(404.5)	(412.8)
Total Cash Generated	16.7	126.7	(109.1)	(0.8)	(2.8)
Free Cashflow To Firm	(533.2)	342.5	286.8	404.2	410.5
Free Cashflow To Equity	(805.4)	457.8	207.5	324.8	331.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Investments	8,933	8,744	8,744	8,744	8,744
Intangible Assets	0	0	0	0	0
Other Long-term Assets	0	0	0	0	0
Total Non-current Assets	8,934	8,744	8,744	8,744	8,744
Total Cash And Equivalents	66	193	83	83	80
Inventories					
Trade Debtors	5	8	5	5	5
Other Current Assets	1	1	1	1	1
Total Current Assets	71	201	89	88	86
Trade Creditors	104	114	55	58	58
Short-term Debt	160	70	70	70	70
Other Current Liabilities	0	2	2	2	2
Total Current Liabilities	265	186	128	130	131
Long-term Borrowings	2,848	2,960	2,960	2,960	2,960
Other Long-term Liabilities	107	96	76	77	78
Total Non-current Liabilities	2,955	3,055	3,035	3,037	3,037
Shareholders' Equity	5,787	5,709	5,676	5,672	5,668
Minority Interests					
Preferred Shareholders Funds					
Total Equity	5,787	5,709	5,676	5,672	5,668

Key Ratios

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Gross Property Revenue Growth	8.8%	(0.8%)	1.7%	10.1%	1.9%
NPI Growth	8.7%	(0.2%)	12.6%	11.0%	2.0%
Net Property Income Margin	78.3%	78.7%	87.2%	87.9%	87.9%
DPS Growth	(12.4%)	18.6%	0.1%	2.6%	2.3%
Gross Interest Cover	4.32	4.39	4.85	5.42	5.53
Effective Tax Rate	0.000%	0.004%	0.000%	0.000%	0.000%
Net Dividend Payout Ratio	45%	459%	103%	93%	93%
Current Ratio	0.27	1.08	0.70	0.68	0.66
Quick Ratio	0.27	1.08	0.70	0.68	0.66
Cash Ratio	0.25	1.03	0.65	0.64	0.61
Return On Average Assets	6.74%	0.76%	3.44%	3.97%	4.08%

Key Drivers

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Rental reversion (%)	0.7%	0.4%	0.2%	1.5%	1.1%
Occupancy rate (%)	97.6%	95.4%	94.7%	96.5%	97.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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