

COMPANY UPDATE

CapitaLand Integrated Commercial Trust (CICT SP)

Partnering COREF To Acquire 79 Robinson Road

We view the acquisition of a 70% stake in 79 Robinson Road positively as its NPI yield of 4% is attractive for Grade A office properties in prime locations. The property is well located in close proximity to Tanjong Pagar, Prince Edward and Shenton Way MRT stations and has a diversified blue chip tenant base. This is a small acquisition that increases AUM by 3.9%. It is accretive to pro forma 2021 DPU by 2.9%. Distribution yield is attractive at 5.4% for 2023. Maintain BUY. Target price: S\$2.50.

WHAT'S NEW

- Expanding in home base Singapore.** CapitaLand Integrated Commercial Trust (CICT) and CapitaLand Open End Real Estate Fund (COREF), a discretionary fund managed by CapitaLand, plan to acquire 70% and 30% respectively of 79 Robinson Road (previously known as CPF Building), a Grade A office building located at the Tanjong Pagar sub-market of the CBD. The agreed property value is S\$1,260m or S\$2,423psf.
- Well served by three MRT lines.** 79 Robinson Road will have underground access to Tanjong Pagar MRT station in the future. It is in close proximity to Prince Edward MRT station on the Circle Line (stage 6 to commence operations in 2026) and Shenton Way MRT station on the Thomson-East Coast Line (stage 3 to commence operations in 2022).

PROPERTY DETAILS – 79 ROBINSON ROAD

GFA	613,594sf
NLA	519,949sf (Office: 514,950sf and Retail: 4,999sf)
Committed Occupancy	92.9%
Weighted Average Lease Expiry (WALE)	5.8 years by Gross Rental Income (exclude gross turnover rents)
Number of Tenants	22
Agreed Property Value	S\$1,260m
NPI Yield	4.0%
Land Tenure	99 years leasehold with effect from 10 Jan 68 (balance of ~45 years as at 31 Dec 21)
Year of Completion	Main Building TOP on 28 Apr 20

Source: CICT

- Well-diversified blue chip tenant base.** Occupancy was 92.9% as of end-Dec 21. Its top three tenants are Allianz (insurance), Equinix Asia Pacific (financial services) and Boston Consulting Group (other office trades), which accounted for 48% of gross rental income as of end-Dec 21. The property has long weighted average lease expiry (WALE) of 5.8 years and there is minimal lease expiry for the next three years. The leases have built-in rental escalation at low-to-mid single digit. Net property income (NPI) yield is 4% based on annualised NPI for Jan 22. Management sees potential upside to improve NPI yield by leasing out the remaining vacant office space.
- Tax transparency.** CICT will hold 79 Robinson Road through a limited liability partnership for tax transparency.
- Potential to increase stake in future.** CICT has the pre-emptive right of first refusal (ROFR) to acquire the 30% stake in 79 Robinson Road from COREF.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	745	1,305	1,355	1,422	1,444
EBITDA	446	862	909	957	973
Operating profit	446	862	909	957	973
Net profit (rep./act.)	350	1,083	751	730	733
Net profit (adj.)	313	813	689	730	733
EPU (S\$ cents)	7.1	12.4	10.4	11.0	11.0
DPU (S\$ cents)	8.7	10.4	11.2	12.0	12.3
PE (x)	31.2	18.0	21.5	20.3	20.3
P/B (x)	1.1	1.1	1.1	1.1	1.1
DPU Yld (%)	3.9	4.7	5.0	5.4	5.5
Net margin (%)	46.9	83.0	55.4	51.3	50.7
Net debt/(cash) to equity (%)	65.5	57.2	70.1	70.8	71.9
Interest cover (x)	3.8	5.1	4.3	4.2	4.1
ROE (%)	3.4	8.1	5.5	5.4	5.4
Consensus DPU (S\$ cent)	n.a.	n.a.	11.5	12.0	12.2
UOBKH/Consensus (x)	-	-	0.98	1.00	1.01

Source: CapitaLand Integrated Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.23
Target Price	S\$2.50
Upside	+12.1%
(Previous TP)	S\$2.45)

COMPANY DESCRIPTION

CICT is the first and largest S-REIT listed on the SGX. It was established as CapitaLand Mall Trust (CMT) in Jul 02 and was renamed CICT in Nov 20 following the merger with CapitaLand Commercial Trust (CCT).

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CICT SP
Shares issued (m):	6,622.1
Market cap (S\$m):	14,767.4
Market cap (US\$m):	10,887.2
3-mth avg daily t'over (US\$m):	34.4

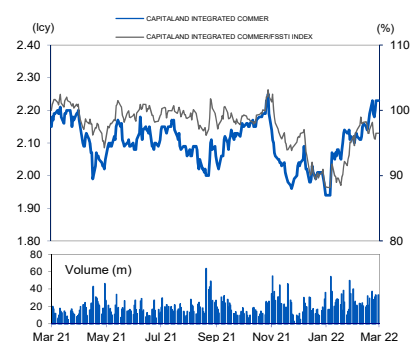
Price Performance (%)

52-week high/low	S\$2.25/S\$1.94			
1mth	3mth	6mth	1yr	YTD
5.2	12.1	7.2	5.2	9.3

Major Shareholders

	%
Temasek Hldgs	23.7
FY22 NAV/Share (S\$)	2.06
FY22 Net Debt/Share (S\$)	1.44

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Acquisition is yield accretive.** The acquisition will be funded by proceeds from the divestment of JCube of S\$340m, which was already completed on 10 Mar 22, and additional borrowings (based on loan-to-value ratio of 62%). Cost of new debt is estimated at mid 2%. Aggregate leverage would be about 41% post acquisition. The acquisition is accretive to pro forma 2021 DPU by 2.9% based on 79 Robinson Road's annualised NPI for Jan 22 and assuming occupancy of 92.9% is maintained. NAV per unit remains unchanged at S\$2.07. The acquisition is expected to complete during 2Q22.

STOCK IMPACT

- Quality addition to CICT's portfolio.** We view the acquisition of 70% stake in 79 Robinson Road positively as the NPI yield of 4% is attractive for Grade A office properties in prime locations.
- Potential partner for future collaborations.** CICT could also join forces with COREF for future acquisitions. COREF is a regional open-end fund providing long-term strategic exposure to a diversified portfolio of institutional grade income-producing assets in developed markets within the Asia Pacific region. It targets to raise US\$1.0b-1.5b after a three-year build-out period.
- Benefitting from the easing of COVID-19 restrictions.** Singapore has made the decisive shift to a new phase of living with COVID-19 as an endemic. Groups of up to 10 fully vaccinated persons will be allowed to dine in at F&B establishments, including hawker centres and coffee shops, compared with the existing limit of five. The current restriction on the sale and consumption of alcohol after 10.30pm will also be lifted. F&B is the largest contributor and accounted for 19.9% of CICT's gross rental income on a group-wide basis in 2021.
- Up to 75% of employees can now return to the workplace, an increase from the current limit of 50%. This will improve physical occupancy at CICT's office properties and increase shopper traffic at its downtown malls.

EARNINGS REVISION/RISK

- This is a small acquisition that increases assets under management (AUM) by only 3.9%. We raise our 2023 DPU forecast by 2% after factoring in the acquisition of 79 Robinson Road.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.50 is based on the Dividend Discount Model (cost of equity: 6.0%, terminal growth: 1.2%).

SHARE PRICE CATALYST

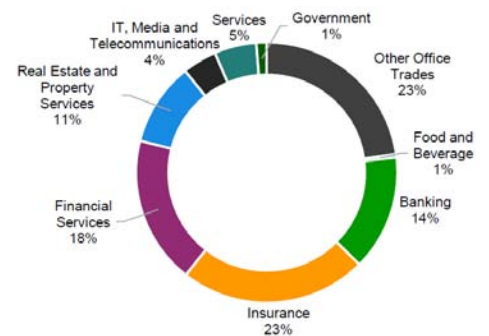
- Steady recovery in shopper traffic and tenant sales with progressive easing of social distancing measures after the Omicron variant wave has subsided.
- Asset enhancement and redevelopment of existing properties.

CAPITAL TOWER AND 79 ROBINSON ROAD



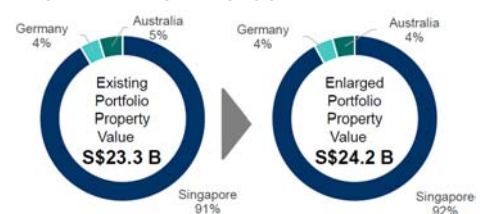
Source: CICT

TENANT MIX - 79 ROBINSON ROAD



Source: CICT

PROPERTY VALUE BY GEOGRAPHY



Source: CICT

PROPERTY VALUE BY ASSET CLASS



Source: CICT

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	1,305.1	1,355.1	1,422.2	1,444.5
EBITDA	862.3	909.4	957.0	972.8
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	862.3	909.4	957.0	972.8
Associate contributions	140.2	10.0	20.9	20.9
Net interest income/(expense)	(170.7)	(210.1)	(226.9)	(240.1)
Pre-tax profit	1,102.3	771.3	751.0	753.5
Tax	(19.2)	(20.0)	(20.0)	(20.0)
Minorities	0.0	(0.8)	(0.8)	(0.8)
Net profit	1,083.1	750.5	730.2	732.7
Net profit (adj.)	812.6	688.5	730.2	732.7

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	21,437.2	23,122.5	23,122.5	23,122.5
Other LT assets	542.6	542.6	542.6	542.6
Cash/ST investment	365.1	216.5	244.1	260.2
Other current assets	396.9	158.7	166.1	168.5
Total assets	22,741.9	24,040.4	24,075.3	24,093.9
ST debt	594.6	594.6	594.6	594.6
Other current liabilities	665.2	327.9	343.6	348.8
LT debt	7,582.6	9,200.0	9,280.0	9,380.0
Other LT liabilities	203.6	217.1	225.4	228.1
Shareholders' equity	13,667.8	13,672.7	13,603.7	13,514.4
Minority interest	27.9	27.9	27.9	27.9
Total liabilities & equity	22,741.9	24,040.4	24,075.3	24,093.9

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	827.5	(102.1)	940.6	910.6
Pre-tax profit	831.8	709.3	751.0	753.5
Associates	(140.2)	(10.0)	(20.9)	(20.9)
Working capital changes	238.8	(356.0)	4.6	1.5
Other operating cashflows	(102.9)	(445.4)	205.9	176.4
Investing	256.4	(689.3)	52.0	52.0
Capex (growth)	0.0	(1,081.3)	0.0	0.0
Capex (maintenance)	(93.6)	(30.0)	(30.0)	(30.0)
Proceeds from sale of assets	292.7	340.0	0.0	0.0
Others	57.2	82.0	82.0	82.0
Financing	(902.4)	642.7	(965.0)	(946.4)
Distribution to unitholders	(448.0)	(745.6)	(799.1)	(798.3)
Issue of shares	250.0	0.0	0.0	0.0
Proceeds from borrowings	(480.2)	1,617.4	80.0	100.0
Others/interest paid	(224.2)	(229.1)	(245.9)	(248.1)
Net cash inflow (outflow)	181.5	(148.6)	27.6	16.2
Beginning cash & cash equivalent	183.6	365.1	216.5	244.1
Ending cash & cash equivalent	365.1	216.5	244.1	260.2

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	66.1	67.1	67.3	67.3
Pre-tax margin	84.5	56.9	52.8	52.2
Net margin	83.0	55.4	51.3	50.7
ROA	4.8	3.2	3.0	3.0
ROE	8.1	5.5	5.4	5.4
Growth				
Turnover	75.1	3.8	5.0	1.6
EBITDA	93.3	5.5	5.2	1.6
Pre-tax profit	215.2	(30.0)	(2.6)	0.3
Net profit	209.6	(30.7)	(2.7)	0.3
Net profit (adj.)	159.2	(15.3)	6.0	0.3
EPU	73.5	(16.3)	5.7	0.0
Leverage				
Debt to total capital	37.4	41.7	42.0	42.4
Debt to equity	59.8	71.6	72.6	73.8
Net debt/(cash) to equity	57.2	70.1	70.8	71.9
Interest cover (x)	5.1	4.3	4.2	4.1

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