

Singapore

ADD (no change)

Consensus ratings*: Buy 8 Hold 0 Sell 1

Current price:	S\$0.32
Target price:	S\$0.39
Previous target:	S\$0.39
Up/downside:	21.9%
CGS-CIMB / Consensus:	0.7%
Reuters:	ESRO.SI
Bloomberg:	EREIT SP
Market cap:	US\$1,816m
	S\$2,455m
Average daily turnover:	US\$2.15m
	S\$2.87m
Current shares o/s:	6,719m
Free float:	81.7%

*Source: Bloomberg

Key changes in this note

- FY23F DPU increased by 0.001%.
- FY25F DPU increased by 0.001%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3	0	-20
Relative (%)	-3.1	-0.1	-24.2

Major shareholders	% held
Tong Jinquan	10.5
ESR Cayman	6.6
Mondrian Invst Partners	3.2

Analyst(s)

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ESR-LOGOS REIT

Portfolio rejuvenation

- ELOG plans to divest 7 non-core assets in Singapore and Australia for S\$337m.
- The sale will likely rejuvenate its portfolio and strengthen its balance sheet and enable it to seize new acquisition opportunities.
- Maintain Add rating with an unchanged TP of S\$0.39.

Proposed divestment of 7 non-core assets

ELOG recently announced the proposed divestment of a portfolio of 5 assets in Singapore as well as the individual sale of 22 Chin Bee Drive and 51 Musgrave Rd, Australia. In aggregate, these divestments total S\$337m. The portfolio of 5 properties was sold for S\$313.5m or at an average 5.1% discount to valuation while the latter 2 assets were transacted at 2.4-6.2% above valuation. The divestments are in line with management's articulated strategy to rejuvenate its portfolio, recapitalize its balance sheet and recycle capital at a time when cap rates expand. According to management, the exercise is expected to be completed in 3Q-4Q23.

Portfolio metrics to strengthen following sale

In terms of impact, management indicated that, post the proposed divestments, ELOG's weighted average land lease expiry will improve from 37.1 years to 37.9 years as the divested properties have a remaining weighted average land lease of 27.2 years. Meanwhile, its weighted average lease expiry will improve to 3.3 years (from 3.2 years). ELOG's post-divestment portfolio is also further de-risked as its exposure to single tenanted properties will decline to 21.7% (from 23.3%) and contribution from its top 15 tenants is lowered marginally to 34.8%.

Lower gearing, improved debt headroom for growth opportunities

Management said that its post divestment proforma gearing could trend down to 33.6% from 41.8% as at Dec 2022, assuming proceeds from this and the earlier divestment of 49 Pandan Road as well as proceeds from its earlier equity fund raising are used to pare down debt in the near term. We believe this will provide ELOG with significant debt headroom to expand inorganically or undertake asset enhancements/redevelopment opportunities. In terms of inorganic growth opportunities, we believe ELOG could use the proceeds to acquire assets from its sponsor's ESR/LOGOS pipeline in Singapore. Meanwhile, ELOG has said that it plans to redevelop three of its industrial assets and is planning to convert a logistics asset into a cold store logistics facility.

Reiterate Add rating

We tweak our estimates marginally to factor in income vacuum from the divested assets offset by interest savings assuming the proceeds are utilised to pare down debt and capital top-ups from divestment gains. Our DDM-based TP stays unchanged at S\$0.39. ELOG's share price has lagged behind its peers YTD due to its pre-emptive equity fund raising and income vacuum pending redeployment of capital. Potential catalysts are redeployment of capital into accretive acquisitions. Downside risks are slower-than-anticipated acquisitions and higher-than-projected interest rate hikes.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Gross Property Revenue (S\$m)	241.3	343.2	392.4	382.7	393.7
Net Property Income (S\$m)	173.3	244.2	276.6	272.1	280.1
Net Profit (S\$m)	107.7	134.1	137.5	139.9	145.5
Distributable Profit (S\$m)	114.4	171.9	190.4	197.2	199.7
Core EPS (S\$)	0.022	0.023	0.019	0.018	0.019
Core EPS Growth	(0.4%)	5.7%	(18.1%)	(3.7%)	3.2%
FD Core P/E (x)	14.24	13.93	17.01	17.67	17.12
DPS (S\$)	0.030	0.029	0.026	0.026	0.026
Dividend Yield	9.33%	9.20%	8.14%	7.98%	8.02%
Asset Leverage	35.8%	36.7%	29.1%	30.2%	30.6%
BVPS (S\$)	0.42	0.36	0.35	0.35	0.34
P/BV (x)	0.77	0.88	0.91	0.92	0.93
Recurring ROE	5.47%	6.63%	5.34%	5.18%	5.40%
% Change In DPS Estimates			0.001%	(0.000%)	0.001%
CGS-CIMB/Consensus DPS (x)			1.00	0.95	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Key earnings revisions


FYE Dec (\$m)	Previous			New			% chg		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Gross revenue	400.0	411.0	422.1	392.4	382.7	393.7	-1.9%	-6.9%	-6.7%
Distributable income	190.4	197.2	199.7	190.4	197.2	199.7	0.001%	0.002%	-0.011%
DPU (Scts)	2.61	2.55	2.57	2.61	2.55	2.57	0.001%	0.000%	0.001%

SOURCES: CGS-CIMB RESEARCH

Figure 2: SREIT peer comparison table

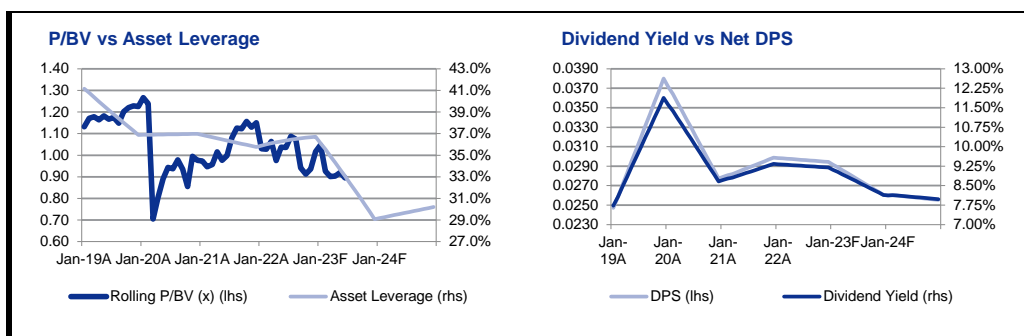
SREIT	Bloomberg Ticker	Rec.	Price (LC)	Target	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Dividend Yield (%)		
			as at 23 Jun 23	Price (LC) (DDM-based)					Price / Stated NAV	FY23F	FY24F
Hospitality											
CapitaLand Ascott Trust	CLAS SP	Add	1.08	1.27	\$2,767	38.0%	1.16	0.93	5.6%	6.3%	6.8%
CDL Hospitality Trust	CDREIT SP	Add	1.18	1.55	\$1,085	36.6%	1.31	0.90	5.5%	6.5%	6.8%
Far East Hospitality Trust	FEHT SP	Add	0.60	0.79	\$887	33.3%	0.85	0.70	6.9%	7.6%	7.5%
Frasers Hospitality Trust	FHT SP	NR	0.48	NA	\$677	39.3%	0.65	0.73	4.8%	5.0%	5.2%
Simple Average						36.8%		0.82	5.7%	6.4%	6.6%
Industrial											
AIMS AMP	AAREIT SP	NR	1.22	NA	\$666	36.4%	1.38	0.88	8.2%	8.1%	8.1%
CapitaLand Ascendas REIT	CLAR SP	Add	2.67	3.06	\$8,673	38.2%	2.30	1.16	6.0%	6.2%	6.3%
ESR-LOGOS REIT	EREIT SP	Add	0.32	0.39	\$1,816	41.8%	0.35	0.92	8.1%	8.0%	8.0%
Frasers Logistics & Commercial Trust	FLT SP	Add	1.23	1.52	\$3,388	27.8%	1.30	0.95	5.8%	5.9%	6.1%
Keppel DC REIT	KDCREIT SP	Add	2.07	2.36	\$2,635	36.8%	1.37	1.51	4.9%	5.3%	5.4%
Mapletree Industrial Trust	MINT SP	Add	2.20	2.61	\$4,610	37.4%	1.85	1.19	6.2%	6.2%	6.4%
Mapletree Logistics Trust	MLT SP	Add	1.63	1.88	\$5,961	36.8%	1.44	1.13	5.5%	5.3%	5.3%
Sabana Shariah	SSREIT SP	NR	0.43	NA	\$351	32.4%	0.53	0.81	6.7%	7.0%	0.0%
Simple Average						36.0%		1.16	6.4%	6.5%	5.7%
Office											
Keppel REIT	KREIT SP	Add	0.87	1.14	\$2,418	38.7%	1.37	0.64	6.8%	6.9%	7.2%
OUE Commercial REIT	OUECT SP	Hold	0.32	0.36	\$1,296	39.0%	0.59	0.54	6.6%	6.7%	6.9%
Suntec REIT	SUN SP	Hold	1.26	1.48	\$2,694	42.8%	2.09	0.60	5.6%	5.7%	5.9%
Simple Average						40.2%		0.59	6.4%	6.4%	6.7%
Retail											
CapitaLand Integrated Commercial	CICT SP	Add	1.91	2.35	\$9,399	40.9%	2.06	0.93	5.7%	6.0%	6.3%
Frasers Centrepoint Trust	FCT SP	Add	2.17	2.62	\$2,741	33.0%	2.31	0.94	5.4%	5.5%	5.8%
Lendlease Global Commercial REIT	LREIT SP	Add	0.66	0.90	\$1,126	40.0%	0.78	0.84	7.0%	7.1%	7.7%
Mapletree Pan Asia Commercial Trust	MPACT SP	Hold	1.61	1.90	\$6,245	40.2%	1.81	0.89	6.0%	5.6%	6.0%
Paragon REIT	PGNREIT SP	Hold	0.94	1.01	\$1,960	29.8%	0.91	1.03	5.4%	5.7%	5.8%
Starhill Global REIT	SGREIT SP	Add	0.50	0.62	\$834	36.1%	0.80	0.63	8.0%	8.5%	8.6%
Simple Average						36.7%		0.87	6.2%	6.4%	6.7%
Overseas-centric											
CapitaLand China Trust	CLCT SP	NR	1.01	NA	\$1,263	34.7%	1.55	0.65	8.0%	8.5%	8.8%
Elite Commercial REIT	ELITE SP	Add	0.31	0.57	\$187	45.8%	0.52	0.59	14.4%	14.4%	14.6%
Manulife US REIT	MUST SP	Add	0.17	0.55	\$307	49.5%	0.57	0.30	26.2%	25.1%	26.2%
Sasseur REIT	SASSR SP	Add	0.70	1.00	\$636	25.7%	0.87	0.80	9.3%	9.7%	10.1%
Simple Average						39.6%		0.59	14.5%	14.4%	14.9%
Healthcare											
Parkway Life REIT	PREIT SP	Add	3.80	4.50	\$1,701	37.5%	2.29	1.66	3.9%	3.9%	4.0%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS
 NR estimates are based on Bloomberg consensus forecasts

		Refinitiv ESG Scores					
ESG in a nutshell		B-	A+	B-	B+	B-	C
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
<p>ESR REIT completed the merger with ARA Logos Trust in Apr 2022 and was renamed ESR Logos Trust (ELOG). Post-merger, ELOG strives to be a leading provider of real estate for tomorrow's businesses by sustainably growing its business. It has aligned its ESG goals in tandem with its sponsor ESR Group's ESG objectives and in line with the UN Sustainable Development Goals. Some of ELOG's ESG targets include boosting economic resilience such as investing in properties that will enhance the sub-asset class diversity of the portfolio, enhancing social pillar, including maintaining fair employment practices and employee satisfaction; and increasing community engagement as well as establishing strong board and management diversity. This is in tandem with ESR Group's five-year ESG targets of enhancing gender equality of 40/60 ratio of women/men within its workforce, increasing solar power generation and capacity by 50% as well as reducing energy consumption across the group by 20%, from its FY19 base year.</p>							
Keep your eye on	<p>ELOG aims to attain GRESB Real Estate Benchmark through continued submissions. It will provide enhanced ESG disclosures with its first GRESB submission in 2022.</p>						
	Implications						
	<p>As ELOG enhances its ESG disclosures, we believe that this would likely be reflected in improving ESG rankings over time.</p>						
ESG highlights	<p>In FY21, ELOG obtained ISO14001:2015 on Environmental Management System certification and implemented Environmental Policy and Green Procurement Policy. It has also committed to achieving green building certifications for all buildings that undergo AEI. ESR REIT has a solar harvesting programme with 12 properties having solar panels installed on rooftops and 1,892 MWh of solar energy was consumed by 5 properties in the portfolio. In addition, 19 Tai Seng Avenue obtained Green Mark GOLD certification post asset enhancement, with the installation of water efficient fittings and energy efficient air-conditioning systems and usage of sustainable products. Another 5 properties have been identified for solar panel installation in FY22 and FY23. On the Governance front, the trust ranked 14th out of 43 in the Singapore Governance and Transparency Index 2021 – REITs and Business Trust Category. In its Social pillar, ELOG has established the ESR-REIT Covid-19 Care Initiative where F&B vouchers were purchased from tenants and distributed to frontline workers and low-income families.</p>						
	Implications						
	<p>We have not factored in any ESG premium or discounts into our current valuations.</p>						
Trends	<p>In terms of ESG targets, ELOG plans to achieve a 5% reduction in total energy consumption and obtain water efficient buildings (WEB) certifications for multi-tenanted buildings from 2019 to 2023. It also intends to reduce water intensity for MTBs by 2% p.a. and increase solar power generation by 50% by 2025. It has also committed certain Singapore properties to net zero carbon by 2030.</p>						
	Implications						
	<p>Our current valuations have not included any premium or discount for ESG.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Rental Revenues	241.3	343.2	392.4	382.7	393.7
Other Revenues					
Gross Property Revenue	241.3	343.2	392.4	382.7	393.7
Total Property Expenses	(68.0)	(99.0)	(115.9)	(110.6)	(113.6)
Net Property Income	173.3	244.2	276.6	272.1	280.1
General And Admin. Expenses					
Management Fees	(14.8)	(21.2)	(27.4)	(24.3)	(24.3)
Trustee's Fees					
Other Operating Expenses	(14.6)	(5.2)	(5.5)	(5.5)	(5.5)
EBITDA	143.8	217.9	243.7	242.3	250.2
Depreciation And Amortisation					
EBIT	143.8	217.9	243.7	242.3	250.2
Net Interest Income	(43.9)	(62.2)	(77.2)	(69.8)	(71.9)
Associates' Profit	7.7	5.3	12.9	13.2	13.7
Other Income/(Expenses)	(11.7)	4.1	(14.4)	(20.3)	(20.3)
Exceptional Items	24.9	0.0	0.0	0.0	0.0
Pre-tax Profit	120.9	165.1	164.9	165.5	171.8
Taxation	(2.2)	(9.5)	(3.8)	(3.9)	(4.1)
Minority Interests	(4.1)	(6.8)	(2.7)	(3.5)	(4.0)
Preferred Dividends	(6.9)	(14.7)	(20.9)	(18.2)	(18.2)
Net Profit	107.7	134.1	137.5	139.9	145.5
Distributable Profit	114.4	171.9	190.4	197.2	199.7

Cash Flow

(\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Pre-tax Profit	120.9	165.1	164.9	165.5	171.8
Depreciation And Non-cash Adj.	36.2	57.0	58.6	56.5	58.2
Change In Working Capital	7.5	94.9	9.8	(3.7)	1.5
Tax Paid	(0.7)	(1.0)	(3.8)	(3.9)	(4.1)
Others	20.6	432.7	15.7	13.9	13.9
Cashflow From Operations	184.4	748.6	245.3	228.3	241.2
Capex	(28.5)	(98.6)	(64.7)	(64.7)	(15.0)
Net Investments And Sale Of FA	(70.3)	(162.8)	381.9	0.0	0.0
Other Investing Cashflow	(50.5)	(5.6)	29.8	0.6	0.7
Cash Flow From Investing	(149.3)	(267.0)	347.1	(64.1)	(14.3)
Debt Raised/(repaid)	(27.6)	(60.9)	(544.6)	80.0	30.0
Equity Raised/(Repaid)	149.6	0.0	317.1	17.8	18.0
Dividends Paid	(115.4)	(86.2)	(162.5)	(168.5)	(174.1)
Cash Interest And Others	(66.8)	38.8	(205.1)	(88.0)	(90.1)
Cash Flow From Financing	(60.2)	(108.3)	(595.1)	(158.7)	(216.2)
Total Cash Generated	(25.1)	373.3	(2.8)	5.5	10.7
Free Cashflow To Firm	35.1	482.2	592.9	164.9	227.7
Free Cashflow To Equity	7.5	358.5	(29.5)	174.5	185.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Investments	3,253	5,487	5,170	5,235	5,250
Intangible Assets	0	0	0	0	0
Other Long-term Assets	0	20	20	20	20
Total Non-current Assets	3,253	5,507	5,190	5,254	5,269
Total Cash And Equivalents	24	46	50	55	66
Inventories					
Trade Debtors	23	41	47	45	47
Other Current Assets	29	61	4	4	4
Total Current Assets	76	147	101	105	117
Trade Creditors	64	92	107	102	105
Short-term Debt	209	229	229	229	229
Other Current Liabilities	75	86	79	79	79
Total Current Liabilities	349	407	416	411	414
Long-term Borrowings	981	1,847	1,309	1,389	1,419
Other Long-term Liabilities	251	552	557	557	557
Total Non-current Liabilities	1,232	2,398	1,866	1,946	1,976
Shareholders' Equity	1,598	2,445	2,704	2,698	2,692
Minority Interests					
Preferred Shareholders Funds	151	404	304	304	304
Total Equity	1,749	2,849	3,009	3,002	2,997

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Gross Property Revenue Growth	4.9%	42.3%	14.3%	(2.5%)	2.9%
NPI Growth	5.5%	41.0%	13.2%	(1.6%)	2.9%
Net Property Income Margin	71.8%	71.2%	70.5%	71.1%	71.1%
DPS Growth	7.8%	(1.4%)	(11.5%)	(2.0%)	0.5%
Gross Interest Cover	3.28	3.47	3.13	3.44	3.45
Effective Tax Rate	1.79%	5.75%	2.28%	2.36%	2.38%
Net Dividend Payout Ratio	106%	128%	139%	141%	137%
Current Ratio	0.22	0.36	0.24	0.26	0.28
Quick Ratio	0.22	0.36	0.24	0.26	0.28
Cash Ratio	0.07	0.11	0.12	0.13	0.16
Return On Average Assets	3.31%	2.99%	2.51%	2.63%	2.71%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Business park avg occ rate	87.5	88.8	90.0	91.3	92.5
High Specs Industrial avg occ rate	83.6	89.0	87.8	86.3	86.3
Logistics/warehouse avg occ rate	95.6	97.4	97.4	97.4	97.4
General Industrial avg occ rate	86.1	86.9	86.9	86.8	86.8
Business parks avg rental rate (S\$ psf)	3.9	4.0	4.1	4.1	4.1
High Specs Industrial avg rental rate (S\$ psf)	2.4	2.3	2.5	2.5	2.5
Logistics/warehouse avg rental rate (S\$ psf)	1.4	1.5	1.5	1.5	1.5
General Industrial avg rental rate (S\$ psf)	1.3	1.3	1.3	1.3	1.3

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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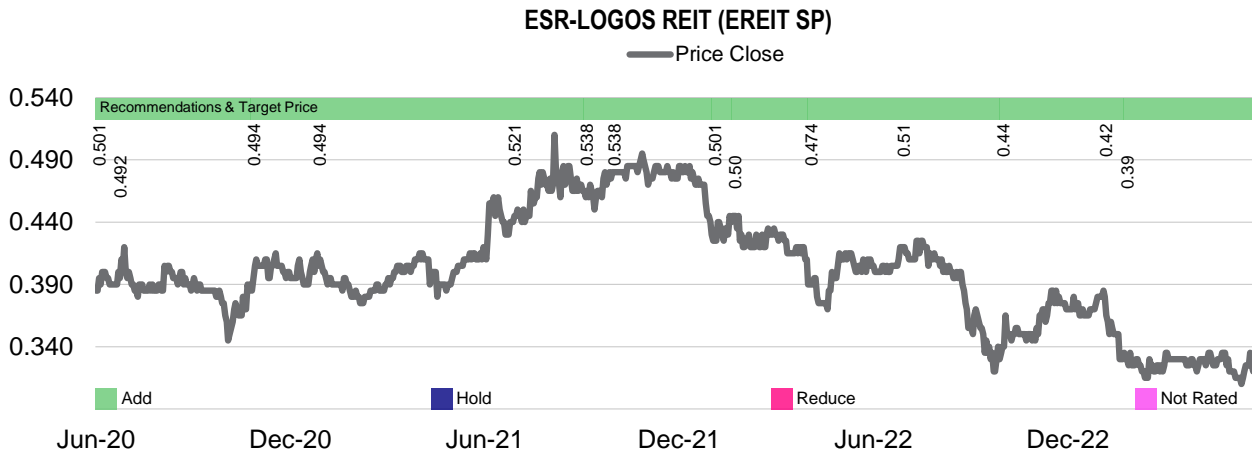
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647 companies under coverage for quarter ended on 31 March 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.6%	1.1%
Hold	27.0%	0.2%
Reduce	8.3%	0.2%

Spitzer Chart for stock being researched (2 year data)



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