

Singapore

ADD (no change)

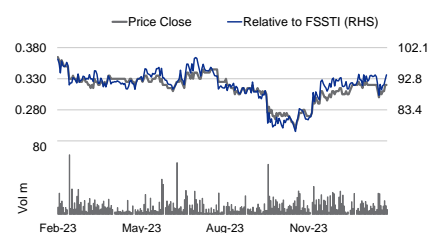
Consensus ratings*: Buy 8 Hold 0 Sell 0

Current price:	S\$0.32
Target price:	S\$0.39
Previous target:	S\$0.39
Up/downside:	21.9%
CGS-CIMB / Consensus:	9.6%
Reuters:	ESRO.SI
Bloomberg:	EREIT SP
Market cap:	US\$1,827m
	S\$2,461m
Average daily turnover:	US\$2.60m
	S\$3.48m
Current shares o/s:	7,673m
Free float:	81.7%

*Source: Bloomberg

Key changes in this note

- FY24F DPU decreased by 0.186%
- FY23F DPU decreased by 0.253%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	14.3	-15.8
Relative (%)	1.6	14.6	-8.4

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

Restarting inorganic growth

- 2H/FY23 DPU of 1.186/2.564 Scts was slightly below, at 44.9%/97% of our FY23F forecast.
- Positive reversions for existing portfolio, second acquisition in Japan via stake in JIF for US\$70m.
- Reiterate an Add rating with a TP of S\$0.39.

2H23 results highlights

ESR-Logos REIT (ELOG) reported a 3.1%/6.5% yoy decline in 2H23 gross revenue/NPI to S\$189.5m/S\$132.3m, due largely to income vacuum from divested assets, weaker A\$ vs. S\$, and partly offset by contributions from ESR Sakura Distribution Centre, acquired in Oct 2022. 2H23 DPU of 1.186 Scts was 23% lower yoy due to an expansion in units base from the equity fund raising exercise in May 2023. ELOG's portfolio value declined by 9.2% yoy to c.S\$4.7bn on the back of divestments and asset devaluations from cap rate expansion. Gearing declined from 37.7% in 3Q23 to 35.7% at end-FY23.

ELOG achieved positive reversions of 11.1% in FY23

Portfolio occupancy stood at 92.8% as at end-FY23. ELOG leased/renewed 645.8k sqm of space in FY23 and achieved positive rental reversion of 11.1%. The strongest reversions came from the hi-spec industrial and logistics segment, with rental uplift averaging 12.4-19.6%. ELOG has another 18.3%/25.9% of leases due to be re-contracted in FY24-25F. Management believes that its portfolio remains under-rented and anticipates the positive rental reversion trend to continue into FY24F. Meanwhile, it has secured take-up of 62% at 7002 Ang Mo Kio Ave 5 and has completed the redevelopment of 21B Senoko Loop, which is fully leased on a 15-year master lease. Plans are being finalised for the redevelopment of 2 Fishery Port Rd into a ramp-up cold storage facility.

Second acquisition in Japan via stake in JIF

ELOG announced that it has entered into a subscription agreement to invest US\$70m into Japan Income Fund (JIF), representing an 8.4% stake in the fund. As at Dec 2023, JIF has five properties under management, valued at S\$1744.7m. The properties are located in Tokyo, Osaka and Nagoya and are 100% leased. According to management, based on an unlevered yield of 5%, the investment is expected to be 1.8% DPU accretive. This acquisition is in line with ELOG's strategy to build a future-ready portfolio, with an earnings accretive transaction. Going forward, we anticipate ELOG to continue deploying its balance sheet capacity, particularly in Japan, due to positive yield spreads. Post-acquisition, management estimates ELOG's gearing to rise to c.37%.

Reiterate an Add rating

We tweak down our FY24-25F DPU estimates by 0.186-0.253%, post results, but retain our DDM-based TP of S\$0.39 as we roll forward our assumptions. We reiterate our Add rating as we think ELOG's recapitalised balance sheet would position it to tap into inorganic growth opportunities. Potential re-rating catalysts are accretive acquisitions, and speedier completions of its asset enhancement initiatives (AEIs). Downside risks: slower-than-anticipated acquisitions, and higher-than-projected interest rate hikes, which could hamper acquisition activities.

Financial Summary

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Gross Property Revenue (S\$m)	343.2	386.4	384.0	395.1	405.6
Net Property Income (S\$m)	244.2	273.2	271.8	280.0	288.0
Net Profit (S\$m)	134.1	(100.2)	113.6	114.9	117.2
Distributable Profit (S\$m)	171.9	190.1	196.2	197.2	197.7
Core EPS (S\$)	0.023	(0.013)	0.015	0.015	0.015
Core EPS Growth	6%	(159%)		1%	2%
FD Core P/E (x)	13.93	NA	21.68	21.47	21.09
DPS (S\$)	0.029	0.026	0.025	0.026	0.026
Dividend Yield	9.20%	7.97%	7.96%	7.99%	7.99%
Asset Leverage	36.7%	30.5%	33.7%	35.8%	37.2%
BVPS (S\$)	0.36	0.32	0.32	0.31	0.31
P/BV (x)	0.88	1.00	1.01	1.03	1.05
Recurring ROE	6.63%	(4.08%)	4.64%	4.76%	4.92%
% Change In DPS Estimates			(0.186%)	(0.253%)	
DPS/Consensus DPS (x)			1.06	0.98	0.98

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec 31 (\$S m)	2H		yoy % chg	hoh % chg	FY23 Cum	FY22 Cum	yoy % chg	Prev. FY23F	Comments
	FY23	FY22							
Revenue	189.5	195.6	(3.1)	(3.7)	386.4	343.2	12.6	408.4	Slightly below. 2H/FY23: 46.4%/94.6% of our FY23F forecast
Property operating expenses	(57.2)	(54.1)	(5.7)	2.1	(113.2)	(99.0)	14.3	(122.2)	
NPI	132.3	141.5	(6.5)	(6.0)	273.2	244.2	11.8	286.2	Slightly below. 2H/FY23: 46.2%/95.5% of our FY23F forecast
NPI margin (%)	69.8	72.3			70.7	71.2		70.1	
Interest expense	(43.6)	(42.6)	2.4	(9.4)	(91.7)	(67.8)	(35.2)	(77.7)	
Interest & invt inc	7.9	0.6	1,325.2	0.7	15.7	0.6	2,534.8	0.6	
Mgmt fees	(10.6)	(12.1)	12.7	(7.1)	(21.9)	(21.2)	3.4	(27.4)	
Share of results of JV	1.9	2.2	13.4	(1.8)	3.9	5.3	na	12.9	
Other trust expenses	(56.6)	17.9	417.0	312.1	(70.4)	(438.8)	na	(25.6)	
Exceptionals & revaln	(77.5)	(37.7)	(105.6)	(20.1)	(174.5)	15.6	1,215.7	5.7	
Pretax profit	(46.2)	69.8	166.2	135.4	(65.8)	(261.9)	(74.9)	174.6	
Tax	2.3	(2.4)	na	na	2.1	(14.2)	na	(3.8)	
Tax rate (%)	5.0	3.4			3.2	(5.4)		2.2	
Minority interests	1.3	1.5	(11.6)	(168.5)	0.6	(0.1)	na	(3.2)	
Perpetual securities	(9.2)	(8.2)	12.5	1.7	(18.2)	(12.0)	na	(20.9)	
Net profit	(43.8)	67.4	165.1	121.3	(63.7)	(276.2)	(76.9)	146.7	
Distr profit	91.2	103.5	(11.9)	(10.1)	192.7	177.1	8.8	193.2	Broadly in line. 2H/FY23: 47.2%/100% of our FY23F forecast
DPU (\$ cts)	1.19	1.54	(23.0)	(13.9)	2.56	3.00	(14.5)	2.64	Slightly below. 2H/FY23: 44.9%/97% of our FY23F forecast

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Key earnings revisions


FYE Dec (\$S\$m)	Previous		New		% chg	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Gross revenue	391.0	402.3	384.0	395.1	-1.80%	-1.79%
Distribution income	197.3	199.6	196.2	197.2	-0.56%	-1.19%
DPU (\$ cts)	2.55	2.56	2.55	2.56	-0.186%	-0.253%

SOURCES: CGS-CIMB RESEARCH estimates

Figure 3: SREIT peer comparison table

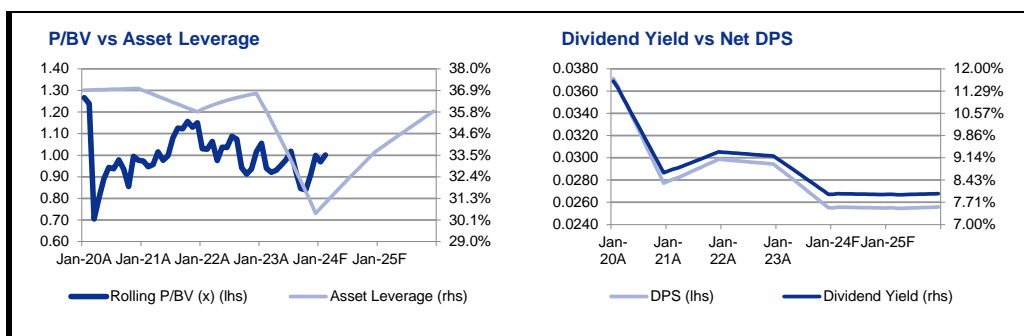
SREIT	Bloomberg Ticker	Price (LC) as at Rec.	05 Feb 24	Target Price (LC) (DDM- based)	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Dividend Yield (%)		
									FY23F	FY24F	FY25F
Hospitality											
CapitaLand Ascott Trust	CLAS SP	Add	0.93	1.29	\$2,598	38.6%	1.16	0.80	7.1%	7.2%	7.3%
CDL Hospitality Trust	CDREIT SP	Add	1.02	1.25	\$945	36.7%	1.50	0.68	5.6%	5.8%	6.4%
Far East Hospitality Trust	FEHT SP	Add	0.64	0.77	\$945	32.2%	0.85	0.74	6.0%	6.7%	6.9%
Fraser's Hospitality Trust	FHT SP	NR	0.48	NA	\$675	39.3%	0.65	0.73	4.7%	5.0%	5.2%
Simple Average						36.7%		0.74	5.8%	6.2%	6.4%
Industrial											
AIMS AMP	AAREIT SP	NR	1.30	NA	\$758	36.4%	1.38	0.94	7.8%	7.5%	7.6%
CapitaLand Ascendas REIT	CLAR SP	Add	2.79	3.06	\$9,101	37.9%	2.26	1.23	5.4%	5.5%	5.6%
Cromwell European REIT	CERT SP	Add	1.36	2.15	\$822	37.4%	2.25	0.60	11.3%	11.4%	11.5%
ESR-LOGOS REIT	EREIT SP	Add	0.32	0.39	\$1,827	35.7%	0.32	1.00	8.0%	8.0%	8.0%
Fraser's Logistics & Commercial Trust	FLT SP	Add	1.09	1.27	\$3,030	30.7%	1.17	0.93	6.5%	6.1%	6.3%
Keppel DC REIT	KDCREIT SP	Hold	1.62	1.88	\$2,070	37.4%	1.34	1.21	5.8%	5.2%	5.5%
Mapletree Industrial Trust	MINT SP	Add	2.42	2.61	\$5,091	38.6%	1.85	1.31	5.6%	5.7%	5.9%
Mapletree Logistics Trust	MLT SP	Add	1.50	1.88	\$5,548	38.8%	1.40	1.07	6.0%	5.7%	5.8%
Sabana Shariah	SSREIT SP	NR	0.38	NA	\$309	34.3%	0.52	0.73	7.9%	7.9%	8.2%
Simple Average						36.4%		1.00	7.1%	7.0%	7.1%
Office											
Keppel REIT	KREIT SP	Add	0.92	1.14	\$2,570	38.9%	1.32	0.69	6.3%	6.4%	6.7%
OUE REIT	OUEREIT SP	Hold	0.27	0.36	\$1,101	38.2%	0.60	0.45	7.9%	8.0%	8.2%
Suntec REIT	SUN SP	Hold	1.17	1.29	\$2,527	42.3%	2.09	0.56	6.1%	5.6%	5.8%
Simple Average						39.8%		0.57	6.8%	6.7%	6.9%
Retail											
CapitaLand Integrated Commercial	CICT SP	Add	1.96	2.17	\$9,688	40.8%	2.12	0.92	5.5%	5.7%	5.9%
Fraser's Centrepoint Trust	FCT SP	Add	2.30	2.54	\$3,083	37.2%	2.31	1.00	5.3%	5.1%	5.3%
Lendlease Global Commercial REIT	LREIT SP	Add	0.62	0.83	\$1,083	40.6%	0.78	0.79	7.5%	6.8%	7.4%
Mapletree Pan Asia Commercial Trust	MPACT SP	Add	1.38	1.54	\$5,379	40.7%	1.81	0.76	7.0%	6.2%	6.3%
Paragon REIT	PGNREIT SP	Hold	0.84	0.88	\$1,769	29.8%	0.91	0.92	5.5%	5.6%	5.9%
Starhill Global REIT	SGREIT SP	Add	0.50	0.62	\$830	37.4%	0.80	0.62	7.7%	8.0%	8.2%
Simple Average						37.8%		0.84	6.4%	6.2%	6.5%
Overseas-centric											
CapitaLand China Trust	CLCT SP	NR	0.82	NA	\$1,139	42.4%	1.33	0.62	8.6%	9.2%	9.5%
Elite Commercial REIT	ELITE SP	Add	0.27	0.49	\$199	49.6%	0.43	0.63	13.5%	15.1%	15.2%
Manulife US REIT	MUST SP	Add	0.06	0.25	\$103	56.0%	0.40	0.15	67.0%	66.5%	65.4%
Sasseur REIT	SASSR SP	Add	0.67	0.95	\$618	25.4%	0.85	0.79	9.2%	9.4%	9.9%
Simple Average						43.4%		0.54	24.6%	25.0%	25.0%
Healthcare											
Parkway Life REIT	PREIT SP	Add	3.59	4.50	\$1,613	35.6%	2.34	1.53	4.1%	4.2%	4.3%

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

ESG in a nutshell		Refinitiv ESG Scores							
				B- ESG Score	A+ ESG Controversies Score	B- ESG Combined Score	B+ ESG Environment Pillar Score	B- ESG Social Pillar Score	C- ESG Government Pillar Score
		<p>ESR-Logos REIT's (ELOG) ESG effort is rated by Refinitiv as B- in FY22. This is based on a B+ rating for Environmental, B- for Social and C- for Governance pillars. ELOG merged with ARA Logos Logistics Trust (ALOG) in Apr 2022 to become a leading new economy and future-ready APAC industrial SREIT. Management has been engaging with stakeholders to review and validate its ESG material topics including identifying ELOG's most significant sustainability issues, overseeing management and monitoring of material factors and providing guidance in the preparation of the sustainability report. ELOG aims to achieve Green Mark Certification for 80% of its Singapore buildings by 2030, lower total energy consumption for multi-tenants buildings (MTBs) by 7% from 2023 to 2030, achieve 50% increase in solar power generation by 2025 from base year 2019, obtain Water Efficiency Building (WEB) certifications for all MTBs by 2025, reduce water intensity for MTBs by 2% per year or by 14% by 2030 from base year 2023, and to obtain 100% supplier compliance with green procurement policy by 2030. 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>							
<p>Keep your eye on</p> <p>ELOG has identified properties for its solar harvesting programme to be carried out over the next three years and aims to increase solar power generation by 50% by FY25, from base year FY19. With an additional two properties being commissioned for solar panel installation, ELOG will have 12 buildings installed with solar capacity with a combined 18.32 MWp of solar capacity.</p>	<p>Implications</p> <p>As ELOG enhances its ESG disclosures, we believe this would likely be reflected in improving ESG rankings over time.</p>								
<p>ESG highlights</p> <p>ELOG is ranked 41st of 99 Singapore companies and 12th amongst real estate peers. Some of its ESG achievements in FY22 include reducing water intensity by 16% yoy, and lowering energy consumption by 15% yoy in FY22. Within its multi-tenanted buildings (MTB) portfolio, energy consumption intensity was lowered by 15% yoy, and 24 of 25 MTBs were WEB certified by FY22. As part of its solar harvesting programme, ELOG plans to have at least five more assets be commissioned with solar panels by FY25, in addition to the two properties being commissioned currently. It clocked in average employee training hours of 35.5 hours in FY22.</p>	<p>Implications</p> <p>We have not factored in any ESG premium or discounts into our current valuations of ELOG.</p>								
<p>Trends</p> <p>ELOG scores well for resource use (A) and environmental innovation (A-) and workforce (A). However, it rates lower on community (D+) in FY22. To this end, ELOG aims to achieve at least 500 hours of staff volunteerism per year.</p>	<p>Implications</p> <p>Our current valuations of ELOG have not included any premium or discount for ESG.</p>								

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Rental Revenues	343.2	386.4	384.0	395.1	405.6
Other Revenues					
Gross Property Revenue	343.2	386.4	384.0	395.1	405.6
Total Property Expenses	(99.0)	(113.2)	(112.1)	(115.1)	(117.6)
Net Property Income	244.2	273.2	271.8	280.0	288.0
General And Admin. Expenses					
Management Fees	(21.2)	(21.9)	(20.7)	(21.3)	(21.6)
Trustee's Fees					
Other Operating Expenses	(5.2)	(6.3)	(5.5)	(5.5)	(5.5)
EBITDA	217.9	244.9	245.6	253.2	260.9
Depreciation And Amortisation					
EBIT	217.9	244.9	245.6	253.2	260.9
Net Interest Income	(62.2)	(90.6)	(92.2)	(100.1)	(106.2)
Associates' Profit	5.3	3.9	13.2	13.7	15.4
Other Income/(Expenses)	4.1	(238.5)	(28.3)	(26.5)	(26.7)
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	165.1	(80.3)	138.3	140.3	143.4
Taxation	(9.5)	2.1	(3.9)	(4.1)	(4.3)
Minority Interests	(6.8)	(3.8)	(2.6)	(3.0)	(3.6)
Preferred Dividends	(14.7)	(18.2)	(18.2)	(18.2)	(18.2)
Net Profit	134.1	(100.2)	113.6	114.9	117.2
Distributable Profit	171.9	190.1	196.2	197.2	197.7

Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Pre-tax Profit	165.1	(80.3)	138.3	140.3	143.4
Depreciation And Non-cash Adj.	57.0	86.7	79.0	86.3	90.8
Change In Working Capital	94.9	2.9	(0.6)	1.3	1.0
Tax Paid	(1.0)	(3.4)	(3.9)	(4.1)	(4.3)
Others	432.7	237.5	10.1	7.8	7.8
Cashflow From Operations	748.6	243.4	222.9	231.6	238.7
Capex	(98.6)	(93.5)	(136.7)	(135.0)	(63.0)
Net Investments And Sale Of FA	(162.8)	440.6	0.0	0.0	0.0
Other Investing Cashflow	(5.6)	14.7	(93.5)	0.2	0.3
Cash Flow From Investing	(267.0)	361.8	(230.2)	(134.8)	(62.7)
Debt Raised/(repaid)	(60.9)	(575.2)	230.0	160.0	100.0
Equity Raised/(Repaid)	0.0	299.7	0.0	0.0	0.0
Dividends Paid	(86.2)	(199.8)	(142.6)	(144.3)	(146.4)
Cash Interest And Others	38.8	(218.1)	(110.4)	(118.3)	(124.4)
Cash Flow From Financing	(108.3)	(693.4)	(23.0)	(102.6)	(170.8)
Total Cash Generated	373.3	(88.2)	(30.2)	(5.8)	5.2
Free Cashflow To Firm	482.2	606.3	(6.9)	96.9	176.3
Free Cashflow To Equity	358.5	(60.6)	130.5	156.7	169.8

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Investments	5,487	5,029	5,259	5,394	5,457
Intangible Assets	0	0	0	0	0
Other Long-term Assets	20	5	5	5	5
Total Non-current Assets	5,507	5,034	5,264	5,399	5,462
Total Cash And Equivalents	46	42	12	6	11
Inventories					
Trade Debtors	41	27	27	28	29
Other Current Assets	61	3	3	3	3
Total Current Assets	147	73	42	37	43
Trade Creditors	92	78	77	79	81
Short-term Debt	229	163	163	163	163
Other Current Liabilities	86	88	88	88	88
Total Current Liabilities	407	329	328	331	332
Long-term Borrowings	1,847	1,393	1,623	1,783	1,883
Other Long-term Liabilities	552	619	621	621	621
Total Non-current Liabilities	2,398	2,012	2,244	2,404	2,504
Shareholders' Equity	2,445	2,463	2,432	2,400	2,367
Minority Interests					
Preferred Shareholders Funds	404	302	302	302	302
Total Equity	2,849	2,765	2,734	2,702	2,669

Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Gross Property Revenue Growth	42.3%	12.6%	(0.6%)	2.9%	2.7%
NPI Growth	41.0%	11.8%	(0.5%)	3.0%	2.9%
Net Property Income Margin	71.2%	70.7%	70.8%	70.9%	71.0%
DPS Growth	(1.4%)	(13.3%)	(0.1%)	0.4%	0.0%
Gross Interest Cover	3.47	2.67	2.65	2.53	2.45
Effective Tax Rate	5.75%	0.00%	2.85%	2.94%	3.01%
Net Dividend Payout Ratio	128%	NA	173%	172%	169%
Current Ratio	0.36	0.22	0.13	0.11	0.13
Quick Ratio	0.36	0.22	0.13	0.11	0.13
Cash Ratio	0.11	0.13	0.04	0.02	0.03
Return On Average Assets	2.99%	(1.86%)	2.18%	2.14%	2.14%

Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Business park avg occ rate	0.9	0.9	0.9	0.9	0.9
High Specs Industrial avg occ rate	0.9	0.9	0.9	0.9	0.9
Logistics/warehouse avg occ rate	1.0	1.0	1.0	1.0	1.0
General Industrial avg occ rate	0.9	0.9	0.9	0.9	0.9
Business parks avg rental rate (S\$ psf)	4.0	4.1	4.1	4.1	4.1
High Specs Industrial avg rental rate (S\$ psf)	2.3	2.5	2.5	2.5	2.5
Logistics/warehouse avg rental rate (S\$ psf)	1.5	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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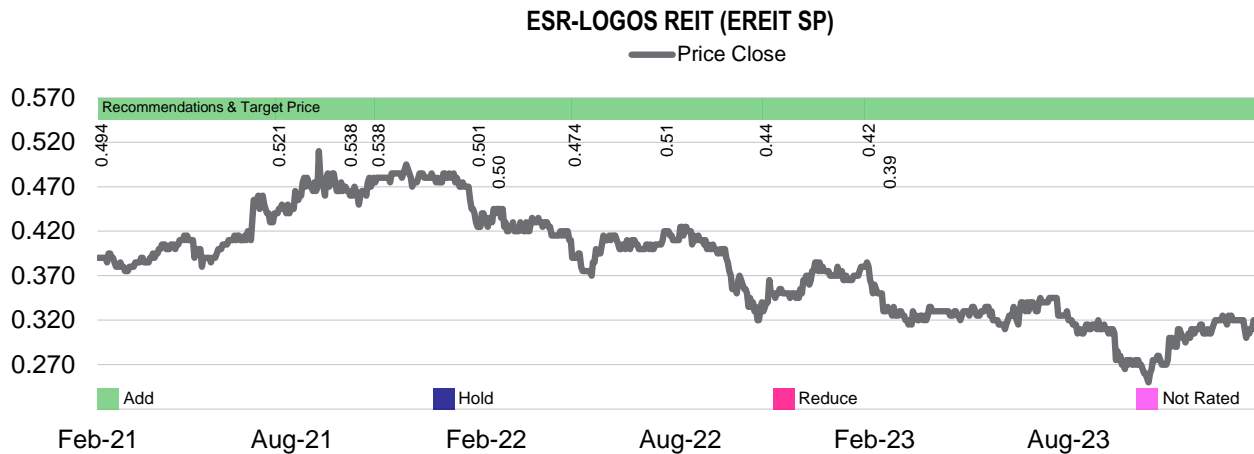
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	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

Spitzer Chart for stock being researched (2 year data)



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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
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