

COMPANY RESULTS

Mapletree Pan Asia Commercial Trust (MPACT SP)

3QFY24: Singapore Leading The Charge

MPACT's Singapore portfolio, including VivoCity, MBC, mTower, Mapletree Anson and BOAHF, has grown from strength to strength. Overseas properties have not fared as well, with management cautioning weakness for business park property Sandhill Plaza in Shanghai, China. MPACT trades at FY25 distribution yield of 6.3% and P/NAV of 0.80x. Maintain BUY. Target price: S\$1.86.

3QFY24 RESULTS

Year to 31 Mar (S\$m)	3QFY24	yoy % chg	Remarks
Gross Revenue	241.6	+0.8	Growth from VivoCity, MBC and other SG properties.
Net Property Income	182.4	+1.7	
Distributable Income	115.3	-9.3	Finance costs increased 14.1% yoy.
DPU (S cents)	2.20	-9.1	

Source: MPACT, UOB Kay Hian

RESULTS

- Mapletree Pan Asia Trust (MPACT) reported DPU of 2.20 S cents for 3QFY24 (-9.1% yoy), which is slightly below our expectations. The decline in DPU would be 1.8% yoy if we exclude one-off cross currency interest rate swap gain from 3QFY23.
- Maintains stable NPI despite weakness in JPY and CNH. Revenue and NPI increased 0.8% and 1.7% yoy respectively in 3QFY24. Singapore properties generated strong performance but contributions from overseas properties were weighted down by weakness in JPY (-9.5% yoy) and CNH (-3.6% yoy) against SGD. Portfolio occupancy rose 0.4ppt qoq to 96.7%. NPI margin improved 0.7ppt yoy to 75.5% despite an increase in cost of utilities by 6.8% yoy. Finance costs increased 14.1% yoy.
- Singapore: Broad-based growth across retail and office properties. VivoCity and MBC achieved positive rental reversion of 6.7% and 14.2% respectively in 3QFY24. VivoCity has completed reconfiguration for its Food & Beverage cluster at Level 1 from three to four units and added an indoor refreshment area. NPI from VivoCity and MBC increased 10% and 3.3% yoy respectively in 3QFY24. NPI from other SG properties, namely mTower, Mapletree Anson and BOAHF, also increased substantially by 8% yoy due to high occupancy of 99.3%.
- Hong Kong: Festival Walk provided stable contributions. Festival Walk maintained full occupancy but continued to clock negative rental reversion at -8.1% in 3QFY24 (1HFY24: -9.5%). Shopper traffic increased 5% yoy in 3QFY24. Unfortunately, tenant sales were affected by higher outbound travelling during the year-end. Festival Walk was able to generate higher income from its atrium space, car park and ice skating ring since Hong Kong reopened its economy in Apr 22.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	499	826	966	981	989
EBITDA	349	580	675	682	688
Operating profit	348	579	675	682	688
Net profit (rep./act.)	347	477	227	428	432
Net profit (adj.)	276	418	427	428	432
EPU (S\$ cent)	8.3	8.7	8.1	8.1	8.2
DPU (S\$ cent)	9.5	9.6	8.9	8.8	8.8
PE (x)	16.7	16.0	17.1	17.1	16.9
P/B (x)	0.8	0.8	0.8	0.8	0.8
DPU Yld (%)	6.9	6.9	6.4	6.3	6.3
Net margin (%)	69.5	57.8	23.5	43.6	43.7
Net debt/(cash) to equity (%)	49.7	69.4	71.5	72.5	73.5
Interest cover (x)	4.8	3.6	2.9	2.7	2.7
ROE (%)	6.0	6.3	2.4	4.7	4.7
Consensus DPU (S\$ cent)	n.a.	n.a.	8.8	8.8	9.0
UOBKH/Consensus (x)	-	-	1.01	0.99	0.98

Source: Mapletree Pan Asia Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.39
Target Price	S\$1.86
Upside	+33.8%
(Previous TP)	S\$1.87

COMPANY DESCRIPTION

MPACT invests in income-producing real estate used for office and/or retail purposes in key gateway markets of Asia. It debuted on SGX Main Board on 27 Apr 11 and completed the merger with Mapletree North Asia Commercial Trust on 21 Jul 22.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MPACT SP
Shares issued (m):	5,249.8
Market cap (S\$m):	7,297.2
Market cap (US\$m):	5,423.8
3-mth avg daily t'over (US\$m):	10.0

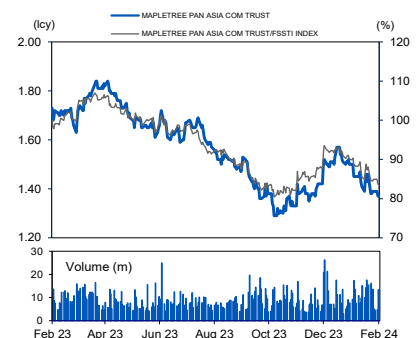
Price Performance (%)

52-week high/low	S\$1.84/S\$1.29			
1mth	3mth	6mth	1yr	YTD
(7.3)	4.5	(11.5)	(19.7)	(11.5)

Major Shareholders

Temasek Hldgs	56.0%
FY24 NAV/Share (S\$)	1.70
FY24 Net Debt/Share (S\$)	1.25

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Japan: Hit by weakness in JPY.** Japan provided steady contributions in local currency terms as occupancy remains stable at 97.4% as of Dec 23. Management has ramped up leasing efforts to address softness in Chiba market. Tenant retention has improved from 60.9% to 65.6%. Rental reversion is quite flat at -0.4%. NPI from Japan dipped 3.1% yoy.
- China: Overcome by domestic headwinds.** Occupancy improved 0.7ppt qoq to 89.6% due to higher occupancy at Gateway Plaza in Beijing. MPACT has de-risked Gateway Plaza after anchor tenant BMW, MPACT's second largest tenant, renewed for five years till 2028 in 3QFY23. Tenant retention rate for China properties is fairly healthy at 71.3%. NPI from China properties dropped 11.9% yoy in 3QFY24.
- Coping with higher cost of debt.** MPACT has swapped from Hong Kong dollar-denominated loans to offshore renminbi loans to enhance risk management. The proportion of loans denominated in HKD has decreased from 27% to 23%, while the proportion denominated in CNH increased from 4% to 7%. Average cost of debt was stable at 3.33%. Management guided that cost of debt will increase to 3.5% for FY24 as older fixed rate debt and interest rate swaps progressively mature.
- Conservative capital management.** Aggregate leverage was stable at 40.8% as of end-Dec 23. Interest rates for 85% of its total borrowings are hedged or fixed.

**STOCK IMPACT**

- Headwinds from overseas properties.** MPACT benefits from resilient growth in Singapore but overseas contributions are affected by a strong Singapore dollar. VivoCity provides steady growth with continual enhancements. We expect occupancy at MBC to ease 2.1ppt qoq to 94.9% in 2QFY25 as Google downsized by two floors with NLA of 60,000sf. The recovery from Festival Walk was slower than anticipated as higher rents locked in before the COVID-19 pandemic would only be fully flushed out in FY25.
- Demand for office space has recovered in Tokyo, Japan.** According to CBRE, many companies have relocated to new buildings with superior locations or high-specifications to attract and retain staff. Vacancy for Grade A offices in Tokyo eased 0.9ppt qoq to 5.7% in 4Q23, while average rents rose 0.3% qoq to ¥34,650/tsubo/quarter. CBRE expects Grade A rents to rise moderately in 1H24. The pressure on landlords of existing buildings to cut rents to appease tenants has eased. Management will step up leasing efforts for its three office properties in Chiba, namely mBay Point, Fujitsu Makuhari and SII Makuhari.
- Potential weakness for Sandhill Plaza in Shanghai.** Supply of business park space has exceeded demand for five consecutive quarters since 4Q22. Vacancy rose 2.6ppt yoy to 18.3% in 4Q23. Average rents for business parks in Shanghai dipped slightly by 0.8% yoy and 0.6% qoq to Rmb139psm. Zhangjiang Science City, where Sandhill Plaza is located, suffered large-scale terminations in 1H23. Sizeable supply of new business park space of 440,000sqm will come on-stream in Shanghai over the next six months. Management cautioned weakness for Sandhill Plaza due to non-renewals. We expect occupancy for China properties to ease further to 85% by 1QFY25.

**EARNINGS REVISION/RISK**

- Our FY25 DPU was relatively unchanged at 8.8 S cents as we have already factored in potential weakness from MPACT's China properties.

**VALUATION/RECOMMENDATION**

- Maintain BUY.** Our target price of S\$1.86 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

**SHARE PRICE CATALYST**

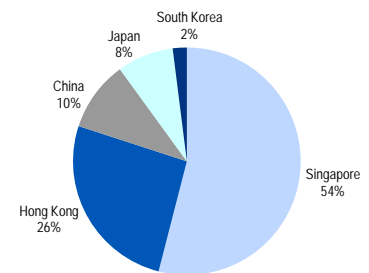
- Resilient growth from VivoCity and MBC in Singapore.
- MPACT has four properties located in the HarbourFront area, which accounted for 49% of its portfolio valuation. It will benefit from the development of Greater Southern Waterfront and rejuvenation of Sentosa Island and Pulau Brani.

**KEY OPERATING METRICS – MPACT**

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	yoy Chg	qoq Chg*
DPU (S cents)	n.a.	4.67	2.18	2.24	2.2	n.a.	103.7%
Occupancy	95.5%	97.5%	95.7%	96.3%	96.7%	1.2ppt	0.4ppt
Aggregate Leverage	40.2%	40.9%	40.7%	40.7%	40.8%	0.6ppt	0.1ppt
All-in-Financing Cost	2.57%	2.68%	3.17%	3.34%	3.33%	0.76ppt	-0.01ppt
% Borrowing in Fixed Rates	78.3%	75.5%	74.2%	79.9%	85.0%	6.7ppt	5.1ppt
WALE by NLA (years)	2.6	2.6	2.6	2.5	2.5	-0.1yrs	0yrs
Debt Maturity (years)	2.8	3.0	2.9	3.0	2.8	0yrs	-0.2yrs
Rental Reversions	-0.3%	1.9%	2.4%	3.2%	4.1%	4.4%	1.7%

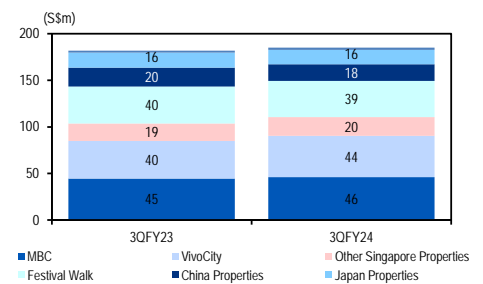
Source: MCT, UOB Kay Hian \* hoh % chg for DPU & rental reversions

**PORTFOLIO VALUATION BY COUNTRY (DEC 23)**



Source: MPACT

**NET PROPERTY INCOME BY PROPERTY**



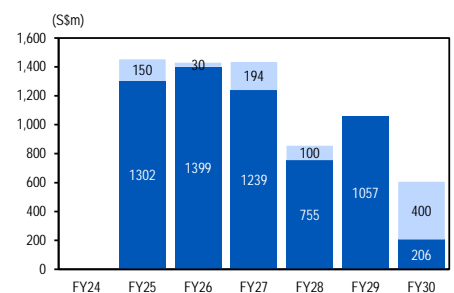
Source: MPACT

**PORTFOLIO OCCUPANCY**

	Dec 23	Sep 23	Jun 23	Mar 23	Dec 22	yoy Chg	qoq Chg
MBC	97.0%	96.8%	95.9%	95.4%	95.0%	2.0%	0.2%
VivoCity	99.7%	100.0%	99.3%	99.1%	98.3%	1.4%	-0.3%
Other Singapore Properties	99.3%	97.7%	97.4%	95.9%	95.0%	4.3%	1.6%
Festival Walk	100.0%	100.0%	99.6%	99.6%	99.8%	0.2%	0.0%
China Properties	89.6%	88.9%	87.3%	86.5%	88.6%	1.0%	0.7%
Japan Properties	97.4%	97.3%	97.3%	97.5%	97.7%	-0.3%	0.1%
The Pinnacle Gangnam	99.3%	97.5%	99.1%	99.3%	99.3%	0.0%	1.8%
MPACT's Portfolio	96.7%	96.3%	95.7%	95.4%	95.5%	1.2%	0.4%

Source: MPACT

**DEBT MATURITY PROFILE**



Source: MPACT

### PROFIT & LOSS

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Net turnover	826.2	965.9	980.7	989.5
EBITDA	579.7	675.1	681.6	687.9
Deprec. & amort.	0.8	0.1	0.1	0.0
EBIT	578.8	675.0	681.5	687.9
Net interest income/(expense)	(162.2)	(233.5)	(253.8)	(255.7)
Pre-tax profit	475.6	241.8	427.7	432.1
Tax	1.7	(14.7)	0.0	0.0
Net profit	477.3	227.1	427.7	432.1
Net profit (adj.)	418.4	426.8	427.7	432.1

### BALANCE SHEET

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
Fixed assets	16,323.6	16,164.5	16,194.5	16,224.5
Other LT assets	208.3	209.1	209.1	209.1
Cash/ST investment	216.1	141.7	124.7	109.4
Other current assets	80.7	52.0	52.1	52.3
<b>Total assets</b>	<b>16,828.8</b>	<b>16,567.3</b>	<b>16,580.4</b>	<b>16,595.3</b>
ST debt	754.4	1,009.6	1,009.6	1,009.6
Other current liabilities	231.2	284.2	285.6	288.2
LT debt	6,029.2	5,700.0	5,750.0	5,800.0
Other LT liabilities	331.7	370.6	371.5	373.0
Shareholders' equity	9,469.7	9,189.8	9,150.6	9,111.3
Minority interest	12.7	13.2	13.2	13.2
<b>Total liabilities &amp; equity</b>	<b>16,828.8</b>	<b>16,567.3</b>	<b>16,580.4</b>	<b>16,595.3</b>

### CASH FLOW

Year to 31 Mar (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>605.3</b>	<b>732.5</b>	<b>678.7</b>	<b>686.9</b>
Pre-tax profit	482.6	223.9	421.1	425.5
Deprec. & amort.	0.8	0.1	0.1	0.0
Associates	(9.4)	(3.0)	0.0	0.0
Working capital changes	28.0	39.6	1.3	2.4
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	103.3	471.9	256.2	258.9
<b>Investing</b>	<b>(2,293.3)</b>	<b>(30.0)</b>	<b>(30.0)</b>	<b>(30.0)</b>
Capex (growth)	(43.1)	(30.0)	(30.0)	(30.0)
Capex (maintenance)	(2,254.1)	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Others	3.9	0.0	0.0	0.0
<b>Financing</b>	<b>1,766.8</b>	<b>(776.9)</b>	<b>(665.7)</b>	<b>(672.2)</b>
Distribution to unitholders	(498.2)	(467.4)	(460.2)	(464.9)
Issue of shares	2,040.7	0.0	0.0	0.0
Proceeds from borrowings	476.7	(74.0)	50.0	50.0
Others/interest paid	(252.5)	(235.5)	(255.4)	(257.3)
<b>Net cash inflow (outflow)</b>	<b>78.7</b>	<b>(74.4)</b>	<b>(17.0)</b>	<b>(15.3)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>124.2</b>	<b>216.1</b>	<b>141.7</b>	<b>124.7</b>
Changes due to forex impact	13.2	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>216.1</b>	<b>141.7</b>	<b>124.7</b>	<b>109.4</b>

### KEY METRICS

Year to 31 Mar (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	70.2	69.9	69.5	69.5
Pre-tax margin	57.6	25.0	43.6	43.7
Net margin	57.8	23.5	43.6	43.7
ROA	3.7	1.4	2.6	2.6
ROE	6.3	2.4	4.7	4.7
<b>Growth</b>				
Turnover	65.4	16.9	1.5	0.9
EBITDA	66.3	16.5	1.0	0.9
Pre-tax profit	37.1	(49.2)	76.9	1.0
Net profit	37.5	(52.4)	88.3	1.0
Net profit (adj.)	51.5	2.0	0.2	1.0
EPU	4.3	(6.2)	0.0	0.8
<b>Leverage</b>				
Debt to total capital	41.7	42.2	42.5	42.7
Debt to equity	71.6	73.0	73.9	74.7
Net debt/(cash) to equity	69.4	71.5	72.5	73.5
Interest cover (x)	3.6	2.9	2.7	2.7