

## Singapore

**ADD** (no change)

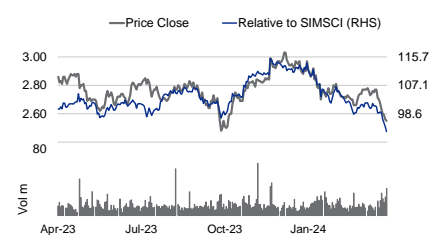
Consensus ratings\*: Buy 12 Hold 3 Sell 0

Current price:	S\$2.55
Target price:	S\$3.06
Previous target:	S\$3.06
Up/downside:	20.2%
CGSI / Consensus:	-2.0%
Reuters:	CAPD.SI
Bloomberg:	CLAR SP
Market cap:	US\$8,222m
	S\$11,204m
Average daily turnover:	US\$26.89m
	S\$36.21m
Current shares o/s:	4,394m
Free float:	80.3%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.9	-12.7	-11.5
Relative (%)	-7.8	-19.8	-7.4

Major shareholders	% held
Capitaland	19.2
Blackrock	6.0
State Street Corp	4.4

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# CapitaLand Ascendas REIT

## Rental reversions continue to stay strong

- Portfolio occupancy slipped 0.9% qoq even as CLAR continues to see average +16.9% rental reversions in 1Q24.
- CLAR has 9.3% of portfolio leases to be renewed for the rest of FY24F, mainly in Singapore, Australia and the US.
- Reiterate Add rating, with an unchanged TP of S\$3.06.

**1Q24 business update highlights**

CapitaLand Ascendas REIT (CLAR) reported 1Q24 portfolio occupancy of 93.3%, -0.9% pt from end-FY23, with lower take-up across its portfolio. Australia, US, UK/Europe reported a 0.9%/2.1%/1.8% drop in occupancy qoq due to the lease expiry of a single-tenant property in Australia, tenant movement in Raleigh and Kansas City in the US, and expiry of a single-tenant data centre lease at Welwyn Garden City in the UK. Portfolio rental reversion averaged +16.9% in 1Q24. Aggregate leverage ticked up qoq to 38.3% (from 37.9% in 4Q23), while average funding cost came in at 3.8% as at end-1Q24. An estimated 82.6% of CLAR's total debt is on fixed rates, as at end-1Q24.

**Singapore portfolio rental reversions at a healthy +16%**

While Singapore occupancy was down qoq, it remained stable at 92.3% vs. 1Q23. CLAR achieved +16% rent reversion in 1Q24 in Singapore, with leasing demand coming from government/NGOs/non-profit organisations (NPOs), engineering and lifestyle, retail and consumer product sectors. Singapore logistics sector continued to show the strongest reversions at +62%, while industrial and data centre segments posted +11.4% upside on lease renewals. Management maintained its guidance for FY24F rental reversion to be in the positive mid-single-digit range. CLAR has a remaining 11.2% of leases to be re-contracted for the remainder of FY24F.

**Take-up for overseas portfolio slipped qoq**

US portfolio saw a dip in occupancy, from 90.4% in 4Q23 to 89.5% in 1Q24, as the improvement in Portland was offset by lower take-up for a business space in Raleigh and a logistics property in Kansas City. That said, the US portfolio continued to see +28.7% rental reversion for its logistics portfolio. CLAR has a remaining 11% of its US portfolio leases due to be renewed in FY24F, mainly from business and life sciences space in Raleigh and San Francisco. Occupancy in Australia fell to 96.5% in 1Q24 (from 98.7% in 4Q23) due to non-renewal of a lease expiry of a single-tenant logistics property in Sydney. CLAR has a remaining 17.7% of leases in AU to be renewed for FY24F, coming mainly from Sydney logistics properties. Occupancy for the UK/Europe portfolio dipped to 97.7% in 1Q24 (from 99.5% in 4Q23) due to expiry of a data centre lease in the UK. The property in Welwyn Garden City is slated for redevelopment. Excluding this, overall occupancy would have remained stable qoq at 99.5% in 1Q24.

**Reiterate Add rating**

We keep our FY24-26F DPU estimates unchanged post-update and maintain our DDM-based TP at S\$3.06. We continue to like CLAR for its diversified and resilient portfolio and healthy balance sheet. Potential catalysts include faster-than-expected global recovery and accretive new acquisitions. Downside risks include a protracted economic downturn that could adversely impact its ability to price rents for positive reversions.

**Financial Summary**

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Gross Property Revenue (S\$m)	1,353	1,480	1,512	1,538	1,564
Net Property Income (S\$m)	969	1,023	1,061	1,081	1,101
Net Profit (S\$m)	798.2	137.3	672.9	682.2	703.4
Distributable Profit (S\$m)	663.9	654.4	680.2	689.7	710.8
Core EPS (S\$)	0.15	0.16	0.15	0.15	0.16
Core EPS Growth	(5.70%)	8.34%	(3.57%)	1.26%	2.98%
FD Core P/E (x)	17.41	16.07	16.66	16.45	15.98
DPS (S\$)	0.16	0.15	0.15	0.16	0.16
Dividend Yield	6.20%	5.95%	6.07%	6.14%	6.32%
Asset Leverage	34.4%	35.7%	35.9%	36.0%	36.2%
BVPS (S\$)	2.44	2.33	2.32	2.32	2.32
P/BV (x)	1.04	1.10	1.10	1.10	1.10
Recurring ROE	5.99%	6.66%	6.59%	6.68%	6.88%
DPS/Consensus DPS (x)			1.02	0.99	0.98



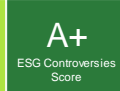
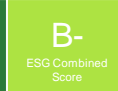



SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

Figure 1: SREIT peer comparison

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 22 Apr 24	Price (LC) (DDM-based)					FY24F	FY25F	FY26F
<b>Hospitality</b>											
CapitaLand Ascott Trust	CLAS SP	Add	0.88	1.17	\$2,425	38.6%	1.16	0.75	7.0%	7.1%	7.8%
CDL Hospitality Trust	CDREIT SP	Add	0.94	1.25	\$860	36.7%	1.50	0.63	6.2%	6.9%	7.1%
Far East Hospitality Trust	FEHT SP	Add	0.61	0.75	\$898	32.2%	0.85	0.71	6.9%	6.9%	6.9%
Frasers Hospitality Trust	FHT SP	NR	0.48	NA	\$675	39.3%	0.65	0.73	4.7%	5.0%	5.2%
<b>Simple Average</b>						<b>36.7%</b>		<b>0.71</b>	<b>6.2%</b>	<b>6.5%</b>	<b>6.7%</b>
<b>Industrial</b>											
AIMS AMP	AAREIT SP	NR	1.24	NA	\$758	36.4%	1.38	0.90	7.8%	7.5%	7.6%
CapitaLand Ascendas REIT	CLAR SP	Add	2.55	3.06	\$8,222	38.3%	2.26	1.13	6.1%	6.1%	6.3%
Cromwell European REIT	CERT SP	Add	1.46	2.06	\$874	38.4%	2.12	0.69	10.4%	10.4%	10.5%
ESR-LOGOS REIT	EREIT SP	Add	0.29	0.39	\$1,634	35.7%	0.32	0.91	8.8%	8.8%	8.8%
Frasers Logistics & Commercial Trust	FLT SP	Add	0.99	1.27	\$2,712	30.7%	1.17	0.84	6.8%	7.0%	7.2%
Keppel DC REIT	KDCREIT SP	Hold	1.66	1.88	\$2,098	37.6%	1.33	1.25	5.2%	5.5%	5.6%
Mapletree Industrial Trust	MINT SP	Add	2.20	2.61	\$4,576	38.6%	1.85	1.19	6.2%	6.5%	6.6%
Mapletree Logistics Trust	MLT SP	Add	1.31	1.88	\$4,801	38.8%	1.40	0.94	6.6%	6.6%	6.7%
Sabana Shariah	SSREIT SP	NR	0.36	NA	\$309	34.3%	0.52	0.69	7.9%	7.9%	8.2%
<b>Simple Average</b>						<b>36.5%</b>		<b>0.95</b>	<b>7.3%</b>	<b>7.4%</b>	<b>7.5%</b>
<b>Office</b>											
Keppel REIT	KREIT SP	Add	0.85	1.15	\$2,374	38.9%	1.32	0.64	7.0%	7.2%	7.3%
OUE REIT	OUEREIT SP	Hold	0.26	0.36	\$1,048	38.2%	0.60	0.43	8.3%	8.5%	na
Suntec REIT	SUN SP	Hold	1.07	1.29	\$2,285	42.3%	2.09	0.51	6.2%	6.3%	6.9%
<b>Simple Average</b>						<b>39.8%</b>		<b>0.53</b>	<b>7.1%</b>	<b>7.4%</b>	<b>7.1%</b>
<b>Retail</b>											
CapitaLand Integrated Commercial	CICT SP	Add	1.87	2.18	\$9,238	40.0%	2.13	0.88	5.8%	6.1%	6.4%
Frasers Centrepoint Trust	FCT SP	Add	2.11	2.54	\$2,799	37.2%	2.31	0.91	5.6%	5.7%	5.9%
Lendlease Global Commercial REIT	LREIT SP	Add	0.54	0.83	\$942	40.5%	0.77	0.70	7.9%	8.5%	8.8%
Mapletree Pan Asia Commercial Trust	MPACT SP	Add	1.23	1.54	\$4,741	40.7%	1.81	0.68	7.0%	7.0%	7.2%
Paragon REIT	PGNREIT SP	Hold	0.84	0.86	\$1,752	30.0%	0.91	0.92	5.3%	5.7%	6.0%
Starhill Global REIT	SGREIT SP	Add	0.47	0.62	\$781	37.4%	0.80	0.59	8.4%	8.6%	8.7%
<b>Simple Average</b>						<b>37.6%</b>		<b>0.78</b>	<b>6.7%</b>	<b>7.0%</b>	<b>7.2%</b>
<b>Overseas-centric</b>											
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	0.23	0.38	\$166	43.7%	0.43	0.53	13.4%	13.8%	14.1%
Manulife US REIT	MUST SP	Add	0.07	0.22	\$117	58.3%	0.33	0.20	0.0%	0.0%	68.8%
Sasseur REIT	SASSR SP	Add	0.67	0.95	\$608	25.3%	0.82	0.81	9.5%	10.0%	10.4%
<b>Simple Average</b>						<b>42.4%</b>		<b>0.54</b>	<b>7.9%</b>	<b>8.2%</b>	<b>25.7%</b>
<b>Healthcare</b>											
Parkway Life REIT	PREIT SP	Add	3.47	4.50	\$1,541	35.6%	2.34	1.48	4.3%	4.4%	4.8%

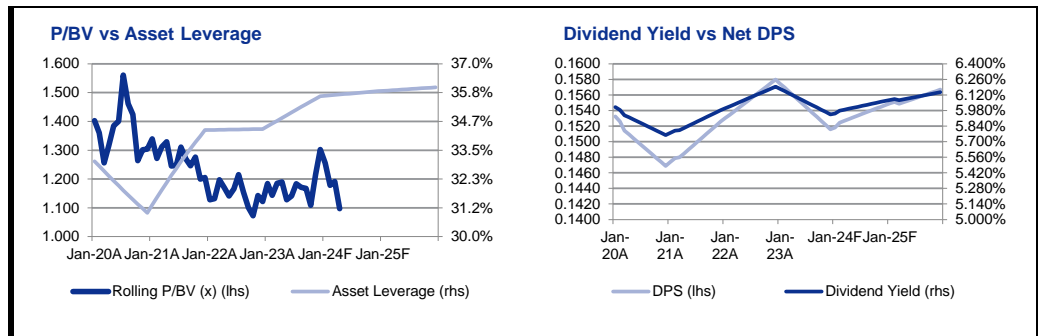
SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Note: Forecasts for Not Rated (NR) companies are based on Bloomberg consensus' estimates

Refinitiv ESG Scores	
	
     	
<p><b>ESG in a nutshell</b></p> <p>CLAR was ranked B- on ESG in 2022, according to Refinitiv. This was divided into Environmental (B), Social (B-) and Governance (C) pillars. It maintained a high A+ rating for ESG controversies. In tandem with its sponsor Capitaland's 2030 Sustainability Master Plan, CLAR will also focus on three key pillars of building portfolio resilience and resource efficiency, enable thriving and future-adaptive communities and accelerate sustainability, innovation and collaboration targets. CLAR targets for all existing properties to achieve a minimum green rating by 2030. It also aims to achieve 100% renewable energy usage for all Singapore Science Park I owned and managed properties by 2025. In 2023, CLAR scored A for public disclosure in the Global Real Estate Sustainability Benchmark (GRESB) survey and ranked third for Singapore Governance and Transparency Index (REITs and Business Trusts) category.</p>	
<p><b>Keep your eye on</b></p> <p>Some segments within Refinitiv's ESG rankings that scored lower ratings include CSR strategy (D-) and product responsibility (C) in 2022. Shareholders (B+) and workforce (B) ratings also weakened yoy.</p>	<p><b>Implications</b></p> <p>We have not applied any premium/discount for ESG in our fundamental valuations of CLAR. However, as it improves on its E pillar, this could raise its overall ESG scores.</p>
<p><b>ESG highlights</b></p> <p>CLAR ranked 39th among Singapore companies and 12th among its real estate peers, according to Refinitiv. Some of CLAR's 2023 ESG highlights included achieving an average 2.8% decline in energy intensity across its portfolio and a 2.5% decrease in Scope 1&amp; 2 emissions intensity. In FY23, it recorded an increase in renewable energy consumption from 16 GWh in FY22 to 17.7 GWh in FY23. CLAR targets to power the common facilities' electricity usage with renewable energy for properties located at Singapore Science Park I by 2025F. As at FY23, 67.8%, 39%, 7.7% and 4.6% of its net lettable are in Singapore, Australia, UK and US are made up of green leases. An estimated 46% of its portfolio, by GFA, are green-certified, as at Dec 2023.</p>	<p><b>Implications</b></p> <p>CLAR generally appeared to have fared well in governance issues and can be valued at a premium by some investors. We have not applied any premium/discount of ESG in our fundamental valuations of CLAR.</p>
<p><b>Trends</b></p> <p>CLAR scores well in environmental innovation (A-), shareholders (B+), and management (B). Its community rating improved yoy from D+ to B in FY22.</p>	<p><b>Implications</b></p> <p>We have not applied any premium/discount for ESG in our fundamental valuations of CLAR. However, as CLAR continues to achieve the ESG targets it has set out, we believe it could also gain more interest among funds that focus on high ESG achievements.</p>

SOURCES: CGSI RESEARCH, REFINITIV

## BY THE NUMBERS



### Profit & Loss

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Rental Revenues	1,353	1,480	1,512	1,538	1,564
Other Revenues	0	0	0	0	0
<b>Gross Property Revenue</b>	<b>1,353</b>	<b>1,480</b>	<b>1,512</b>	<b>1,538</b>	<b>1,564</b>
Total Property Expenses	(384)	(457)	(451)	(457)	(463)
<b>Net Property Income</b>	<b>969</b>	<b>1,023</b>	<b>1,061</b>	<b>1,081</b>	<b>1,101</b>
General And Admin. Expenses	0	0	0	0	0
Management Fees	(84)	(87)	(81)	(82)	(82)
Trustee's Fees	(16)	(16)	(16)	(16)	(16)
Other Operating Expenses	0	0	0	0	0
<b>EBITDA</b>	<b>868</b>	<b>920</b>	<b>964</b>	<b>983</b>	<b>1,004</b>
Depreciation And Amortisation	0	0	0	0	0
<b>EBIT</b>	<b>868</b>	<b>920</b>	<b>964</b>	<b>983</b>	<b>1,004</b>
Net Interest Income	(188)	(257)	(263)	(271)	(270)
Associates' Profit	0	0	0	0	0
Other Income/(Expenses)	0	12	0	0	0
Exceptional Items	202	(545)	0	0	0
<b>Pre-tax Profit</b>	<b>883</b>	<b>131</b>	<b>702</b>	<b>711</b>	<b>733</b>
Taxation	(84)	6	(29)	(29)	(30)
Minority Interests	0	0	0	0	0
Preferred Dividends	0	0	0	0	0
<b>Net Profit</b>	<b>798</b>	<b>137</b>	<b>673</b>	<b>682</b>	<b>703</b>
<b>Distributable Profit</b>	<b>664</b>	<b>654</b>	<b>680</b>	<b>690</b>	<b>711</b>

### Cash Flow

(\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>Pre-tax Profit</b>	<b>883</b>	<b>131</b>	<b>702</b>	<b>711</b>	<b>733</b>
Depreciation And Non-cash Adj.	187	244	263	271	270
Change In Working Capital	172	42	0	0	0
Tax Paid	(38)	(24)	(29)	(29)	(30)
Others	(186)	563	16	16	16
<b>Cashflow From Operations</b>	<b>1,018</b>	<b>956</b>	<b>952</b>	<b>970</b>	<b>990</b>
Capex	(192)	(188)	(50)	(50)	(50)
Net Investments And Sale Of FA	(149)	(700)	62	0	0
Other Investing Cashflow	(33)	(38)	0	0	0
<b>Cash Flow From Investing</b>	<b>(374)</b>	<b>(926)</b>	<b>12</b>	<b>(50)</b>	<b>(50)</b>
Debt Raised/(repaid)	76	402	50	50	50
Equity Raised/(Repaid)	0	495	0	0	0
Dividends Paid	(650)	(661)	(680)	(690)	(711)
Cash Interest And Others	(209)	(264)	(263)	(271)	(270)
<b>Cash Flow From Financing</b>	<b>(782)</b>	<b>(28)</b>	<b>(893)</b>	<b>(911)</b>	<b>(931)</b>
Total Cash Generated	(139)	2	71	9	9
Free Cashflow To Firm	644	31	964	920	940
Free Cashflow To Equity	562	215	752	699	720

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(S\$m)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Investments	16,430	16,923	16,911	16,961	17,011
Intangible Assets	0	0	0	0	0
Other Long-term Assets	1,083	970	970	970	970
Total Non-current Assets	17,513	17,893	17,880	17,930	17,980
Total Cash And Equivalents	217	222	334	343	352
Inventories	0	0	0	0	0
Trade Debtors	92	88	88	88	88
Other Current Assets	53	67	5	5	5
<b>Total Current Assets</b>	<b>363</b>	<b>377</b>	<b>427</b>	<b>436</b>	<b>445</b>
Trade Creditors	344	424	424	424	424
Short-term Debt	833	1,054	1,054	1,054	1,054
Other Current Liabilities	124	126	126	126	126
<b>Total Current Liabilities</b>	<b>1,302</b>	<b>1,603</b>	<b>1,603</b>	<b>1,603</b>	<b>1,603</b>
Long-term Borrowings	5,309	5,467	5,517	5,567	5,617
Other Long-term Liabilities	999	979	979	979	979
Total Non-current Liabilities	6,308	6,446	6,496	6,546	6,596
Shareholders' Equity	10,267	10,220	10,208	10,217	10,226
Minority Interests	0	0	0	0	0
Preferred Shareholders Funds					
<b>Total Equity</b>	<b>10,267</b>	<b>10,220</b>	<b>10,208</b>	<b>10,217</b>	<b>10,226</b>

### Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Gross Property Revenue Growth	10.3%	9.4%	2.2%	1.7%	1.7%
NPI Growth	5.21%	5.62%	3.73%	1.86%	1.83%
Net Property Income Margin	71.6%	69.1%	70.2%	70.3%	70.4%
DPS Growth	3.54%	(4.04%)	2.05%	1.28%	2.92%
Gross Interest Cover	4.62	3.59	3.67	3.62	3.71
Effective Tax Rate	9.56%	0.00%	4.09%	4.09%	4.08%
Net Dividend Payout Ratio	83%	477%	101%	101%	101%
Current Ratio	0.28	0.24	0.27	0.27	0.28
Quick Ratio	0.28	0.24	0.27	0.27	0.28
Cash Ratio	0.17	0.14	0.21	0.21	0.22
Return On Average Assets	4.48%	0.76%	3.68%	3.72%	3.82%

### Key Drivers

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Occupancy (%)	92.9%	92.9%	0.0%	0.0%	0.0%
AUM (S\$m)	16,577.6	16,949.1	16,936.7	16,986.7	17,036.7

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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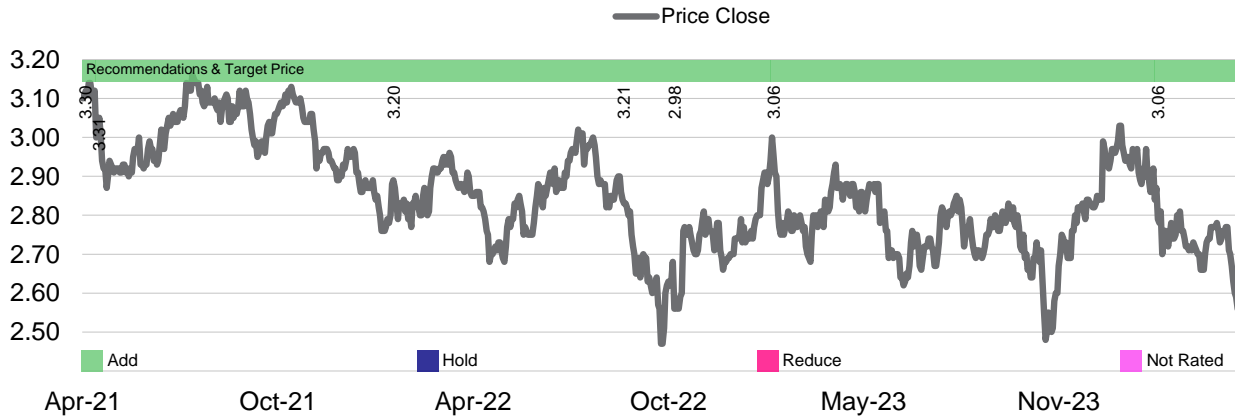
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634 companies under coverage for quarter ended on 31 March 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.5%	1.3%
Hold	24.1%	0.2%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched ( 2 year data )

CapitaLand Ascendas REIT (CLAR SP)



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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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