

COMPANY RESULTS

CapitaLand Ascendas REIT (CLAR SP)

1H24: Backfilling Vacant Space At Changi Business Park

CLAR clocked broad-based positive rental reversion of 11.7% in 2Q24 (Singapore: +11.9%, Australia: +7.7%, UK/Europe: +10.1% and US: +11.9%). Portfolio occupancy eased 0.2ppt qoq to 93.1%. CLAR has a resilient balance sheet with average debt maturity at 3.7 years. Management plans to scale up in new economy assets such as data centres. CLAR provides a resilient 2024 distribution yield of 6.0% (MINT: 6.0%). Maintain BUY with a target price of S\$3.44.

1H24 RESULTS

Year to 31 Dec (\$m)	1H24	yoy % chg	Remarks
Gross Revenue	770.1	+7.2	Growth driven by acquisitions in Singapore, Australia and the UK.
Net Property Income (NPI)	528.4	+3.9	Higher utilities expenses and property taxes in Singapore.
Distributable Income	330.8	+1.0	Finance costs increased 16.3% yoy.
DPU (S cents)	7.524	-2.5	No. of units increased 3.7% due to private placement in May 23.

Source: CLAR, UOB Kay Hian

RESULTS

- CapitaLand Ascendas REIT (CLAR) reported DPU of 7.524 S cents for 1H24 (-2.5% yoy), which is in line with our expectations.
- Generating steady growth.** Gross revenue increased 7.2% yoy in 1H24, driven by acquisitions completed in 2023 and newly completed properties. NPI grew 3.9% yoy, while NPI margin narrowed 2.3ppt yoy to 68.6%. Finance costs increased 16.3% yoy.
- Maintaining positive rental reversion.** CLAR achieved positive rental reversion of 11.7% for leases that were renewed in multi-tenant buildings in 2Q24 (Singapore: +11.9%, Australia: +7.7%, UK/Europe: +10.1% and US: +11.9%). Management expects average rental reversion at positive high single-digit for 2024.
- Portfolio occupancy eased 0.2ppt qoq to 93.1%.** Occupancy for Singapore eased slightly by 0.3ppt qoq to 92.0% in 2Q24 due to lower occupancy for the logistics property at 40 Penjuru Lane. Occupancy for the US eased 1.8ppt qoq to 87.7% due to the expiration of leases for two single-tenant properties at Lackman Business Centre 4 in Kansas City (logistics) and 9405 Gemini in Portland (business space). Occupancy for Australia was stable at 96.8% with higher occupancy for business space properties.

KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,353	1,480	1,536	1,573	1,607
EBITDA	868	920	943	968	991
Operating profit	868	920	943	968	991
Net profit (rep./act.)	760	167	639	668	688
Net profit (adj.)	596	671	639	668	688
EPU (S\$ cent)	14.2	15.6	14.5	15.2	15.6
DPU (S\$ cent)	15.8	15.2	15.2	15.9	16.3
PE (x)	18.7	17.0	18.2	17.5	17.0
P/B (x)	1.1	1.2	1.2	1.2	1.2
DPU Yld (%)	6.0	5.7	5.7	6.0	6.2
Net margin (%)	56.2	11.3	41.6	42.4	42.8
Net debt/(cash) to equity (%)	57.7	61.6	58.5	59.1	59.7
Interest cover (x)	4.6	3.6	3.4	3.6	3.6
ROE (%)	7.4	1.6	6.3	6.6	6.8
Consensus DPU (S\$ cent)	n.a.	n.a.	15.0	15.7	16.4
UOBKH/Consensus (x)	-	-	1.02	1.01	0.99

Source: CapitaLand Ascendas REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.65
Target Price	S\$3.44
Upside	+29.8%

COMPANY DESCRIPTION

CLAR invests in business & science park, life sciences, suburban office, high-specification industrial, data centres, light industrial and logistics & distribution properties. Its portfolio stands at S\$16.9b as of Dec 23, comprising 232 properties located across Singapore, Australia, Europe, UK and the US.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLAR SP
Shares issued (m):	4,397.0
Market cap (S\$m):	11,652.0
Market cap (US\$m):	8,794.0
3-mth avg daily t'over (US\$m):	23.5

Price Performance (%)

52-week high/low	S\$3.03/S\$2.48			
1mth	3mth	6mth	1yr	YTD
3.9	2.7	(1.9)	(4.3)	(12.5)

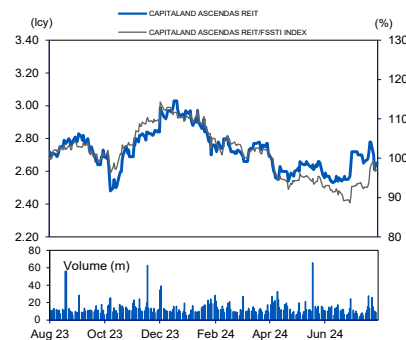
Major Shareholders

Temasek Hldgs	19.6
---------------	------

FY24 NAV/Share (S\$) 2.25

FY24 Net Debt/Share (S\$) 1.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jonathan Koh, CFA, MSc Econ
 +65 6590 6620
 jonathankoh@uobkayhian.com

- **Prudent capital management.** Aggregate leverage was stable at 37.8% as of Jun 24. 83% of CLAR's borrowings are on fixed interest rates or hedged to fixed rates. Its weighted average all-in cost of debt eased 0.1ppt qoq to 3.7% in 2Q24. Cost of debt should maintain at current levels till end-24.
- **Well-spread debt maturity profile.** CLAR obtained a S\$300m seven-year green loan and issued S\$300m in 10-year green bonds to refinance existing borrowings in 1H24. Thus, the average debt maturity has lengthened to 3.7 years.

STOCK IMPACT

- **Generating steady growth from diversified portfolio.** Management plans to recycle assets in Singapore and reposition toward technology, life science and logistics properties. Properties in UK/Europe are able to provide stable contributions due to long WALE of 6.0 years. Demand for logistics properties in Australia has normalised with leasing downtime reverting back to the usual 6-12 months. Occupancy for business parks in the US could slip lower as the work-from-home arrangement is quite entrenched.
- **Rejuvenating portfolio in Singapore.** CLAR has six ongoing redevelopments (1 Science Park Drive (34% stake), 27 IBP and 5 Toh Guan Road East) and AEIs (80 Bendemeer Road, Aperia and ONE@Changi City) worth a total of S\$573m. It has commenced two new AEIs in Singapore with a total investment of S\$24.2m:

- Aperia (S\$22.7m).** The drop-off point and entrances will be upgraded to enhance tenants' and visitors' arrival experience. The retail mall layout and tenant mix will be enhanced to increase footfall.
- ONE@Changi City (S\$1.5m).** The interior of the South Tower lobby will be refurbished and modernised to create a welcoming waiting area and collaborative discussion space for tenants and visitors.

- **Attracting new tenants to Changi Business Park.** Occupancy at Hansapoint improved 10.7ppt qoq to 47.2% in 2Q24. Julius Baer has relocated its finance, audit and human resource functions to One@Changi City and will occupy 75,000sf across two levels. Singapore Airlines will also be relocating its corporate hub to One@Changi City. Occupancy for its properties at Changi Business Park should improve over the next 18 months.
- **Expansion in data centres via redevelopment.** The data centre at Welwyn Garden City in the UK is earmarked for redevelopment to expand capacity to 60MW. Management is waiting for confirmation on power allocation before proceeding. In Singapore, CLAR is scouting for change-of-use opportunities to redevelop existing industrial buildings into data centres.

EARNINGS REVISION/RISK

- We kept our existing DPU forecast unchanged.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$3.44 is based on DDM (cost of equity: 7.0%, terminal growth: 2.5%).

SHARE PRICE CATALYST

- Resiliency and growth from business parks, hi-tech buildings, life sciences, logistics and data centre segments.
- Contributions from development projects and AEIs.

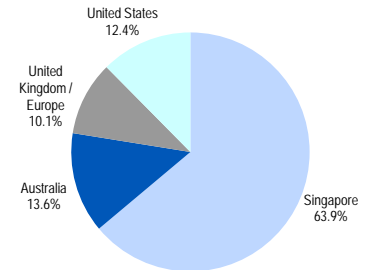
KEY OPERATING METRICS – CLAR

Year to 31 Dec	2Q23	3Q23	4Q23	1Q24	2Q24	yoy % Chg	qoq % Chg*
DPU (S cents)	7.72	n.a.	7.44	n.a.	7.52	-2.5%	1.1%
Occupancy	94.4%	94.5%	94.2%	93.3%	93.1%	-1.3ppt	-0.2ppt
Aggregate Leverage	36.7%	37.2%	37.9%	38.3%	37.8%	1.1ppt	-0.5ppt
Average Cost of Debt	3.3%	3.3%	3.5%	3.8%	3.7%	0.4ppt	-0.1ppt
% Borrowing in Fixed Rates	81.5%	80.6%	79.1%	82.6%	83.0%	1.5ppt	0.4ppt
WALE by NLA (years)	3.9	3.9	3.9	3.9	3.8	-0.1yrs	-0.1yrs
Weighted Debt Maturity (years)	3.3	3.3	3.4	3.4	3.7	0.4yrs	0.3yrs
Rental Reversion	14.2%	10.2%	13.4%	16.9%	13.4%	-0.8ppt	-3.5ppt

* hoh % chg for DPU

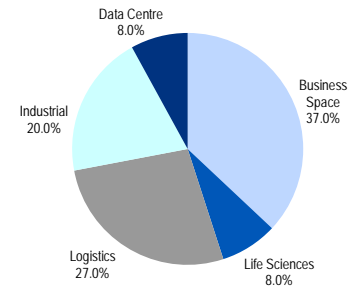
Source: CLAR, UOB Kay Hian

PORTFOLIO VALUATION BY GEOGRAPHICAL REGION



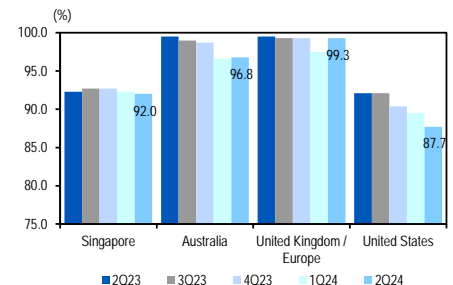
Source: CLAR

PORTFOLIO VALUATION BY ASSET CLASS



Source: CLAR

PORTFOLIO OCCUPANCY



Source: CLAR

POSITIVE RENTAL REVERSIONS

% Change in Renewal Rates	2023	3Q23	4Q23	1Q24	2Q24
SINGAPORE	19.5%	9.8%	16.9%	16.0%	11.9%
- Business Space & Life Science	17.9%	6.4%	13.1%	5.8%	8.3%
- Logistics	39.1%	25.5%	53.6%	62.0%	24.9%
- Industrial & Data Centres	9.7%	8.6%	9.4%	11.4%	13.9%
AUSTRALIA	12.9%	n.a.	21.8%	n.a.	7.7%
- Business Space	12.9%	n.a.	22.3%	n.a.	n.a.
- Logistics	n.a.	n.a.	9.1%	n.a.	7.7%
UNITED STATES	11.0%	8.5%	11.0%	28.7%	11.9%
- Business Space	9.5%	8.5%	11.0%	n.a.	9.6%
- Logistics	11.3%	n.a.	n.a.	28.7%	13.5%
UNITED KINGDOWN / EUROPE	n.a.	28.8%	-6.6%	n.a.	10.1%
- Data Centres	n.a.	n.a.	-6.6%	n.a.	10.1%
- Logistics	n.a.	28.8%	n.a.	n.a.	n.a.
Total Portfolio	18.0%	10.2%	15.2%	16.9%	11.7%

Source: CLAR

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	1,479.8	1,535.8	1,572.9	1,607.3
EBITDA	920.4	942.7	967.7	990.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	920.4	942.7	967.7	990.9
Associate contributions	0.5	0.0	0.0	0.0
Net interest income/(expense)	(256.7)	(277.1)	(272.3)	(274.1)
Pre-tax profit	160.3	665.6	695.4	716.9
Tax	6.3	(26.6)	(27.8)	(28.7)
Minorities	0.0	0.0	0.0	0.0
Net profit	166.6	639.0	667.6	688.2
Net profit (adj.)	670.5	639.0	667.6	688.2

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	16,949.1	16,979.1	17,009.1	17,039.1
Other LT assets	943.5	901.5	873.4	845.3
Cash/ST investment	221.6	261.8	272.8	272.2
Other current assets	155.6	132.8	135.9	138.8
Total assets	18,269.8	18,275.2	18,291.2	18,295.4
ST debt	1,053.5	1,053.5	1,053.5	1,053.5
Other current liabilities	549.8	777.6	795.1	811.3
LT debt	5,467.3	5,173.5	5,223.5	5,263.5
Other LT liabilities	978.9	1,081.6	1,061.2	1,040.4
Shareholders' equity	10,220.3	10,189.1	10,157.9	10,126.6
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	18,269.8	18,275.2	18,291.2	18,295.4

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	956.3	1,312.9	963.6	984.5
Pre-tax profit	664.2	665.6	695.4	716.9
Working capital changes	103.4	317.8	21.0	19.5
Non-cash items	17.4	16.9	17.0	17.0
Other operating cashflows	171.3	312.5	230.2	231.1
Investing	(925.7)	(60.0)	(60.0)	(60.0)
Capex (growth)	(751.7)	0.0	0.0	0.0
Capex (maintenance)	(171.2)	(60.0)	(60.0)	(60.0)
Proceeds from sale of assets	34.7	0.0	0.0	0.0
Others	(37.5)	0.0	0.0	0.0
Financing	(28.2)	(1,212.7)	(892.7)	(925.1)
Distribution to unitholders	(660.6)	(670.2)	(698.8)	(719.5)
Issue of shares	500.0	0.0	0.0	0.0
Proceeds from borrowings	401.6	0.0	50.0	40.0
Loan repayment	0.0	(293.9)	0.0	0.0
Others/interest paid	(269.2)	(248.6)	(243.8)	(245.6)
Net cash inflow (outflow)	2.4	40.3	10.9	(0.6)
Beginning cash & cash equivalent	217.0	221.6	261.8	272.8
Changes due to forex impact	2.2	0.0	0.0	0.0
Ending cash & cash equivalent	221.6	261.8	272.8	272.2

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	62.2	61.4	61.5	61.7
Pre-tax margin	10.8	43.3	44.2	44.6
Net margin	11.3	41.6	42.4	42.8
ROA	0.9	3.5	3.7	3.8
ROE	1.6	6.3	6.6	6.8
Growth				
Turnover	9.4	3.8	2.4	2.2
EBITDA	6.0	2.4	2.7	2.4
Pre-tax profit	(81.0)	315.2	4.5	3.1
Net profit	(78.1)	283.4	4.5	3.1
Net profit (adj.)	12.5	(4.7)	4.5	3.1
EPU	9.9	(6.8)	4.3	2.9
Leverage				
Debt to total capital	39.0	37.9	38.2	38.4
Debt to equity	63.8	61.1	61.8	62.4
Net debt/(cash) to equity	61.6	58.5	59.1	59.7
Interest cover (x)	3.6	3.4	3.6	3.6

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W