

COMPANY RESULTS

CapitaLand Integrated Commercial Trust (CICT SP)

1H24: Stable Occupancies; Smooth Execution For AEIs

The Singapore retail and office portfolios achieved positive rental reversions of 9.3% and 15.0% respectively based on the average rent of signed leases in 1H24. NPI increased 5.4% yoy and NPI margin expanded 2.2ppt yoy to 73.5% in 1H24 due to lower utility expenses and savings from the new property management agreement. AEIs at IMM Building in Singapore and Gallileo in Frankfurt, Germany are on track for completion in 2H25. CICT provides a resilient 2025 distribution yield of 5.1%. Maintain BUY. Target price: S\$2.29.

1H24 RESULTS

Year to 31 Dec (S\$m)	1H24	yoy % chg	Remarks
Gross Revenue			
Retail	292.8	+2.8	Rental reversion turned positive since 3Q22.
Office	260.5	+1.3	Office occupancy was stable at 95.3% in 2Q24.
Integrated Developments	238.7	+2.5	Raffles City Singapore benefitted from AEI.
Total	792.0	+2.2	
Net Property Income (NPI)			
Retail	211.3	+6.3	
Office	197.0	+5.3	
Integrated Developments	174.1	+4.6	
Total	582.4	+5.4	Benefitting from lower expenses on utilities and new property management agreement.
Distributable Income	366.5	+3.7	
DPU (S cents)	5.43	+2.5	Retained S\$4.2m for working capital.

Source: CICT, UOB Kay Hian

RESULTS

- CapitaLand Integrated Commercial Trust (CICT) reported DPU of 5.43 S cents for 1H24 (+2.5% yoy), which is slightly above our expectation.
- NPI margin expanded 2.2ppt yoy to 73.5%. Gross revenue grew 2.2% yoy in 1H24 due to higher rental income, despite absence of income from Gallileo undergoing an asset enhancement initiative (AEI) since Feb 24. Net property income for 1H24 increased 5.4% yoy due to lower utility expenses and savings from the new property management agreement.
- Retail: Resilient performance from suburban malls.** The retail portfolio achieved positive rent reversion of 9.3% based on the average rent of signed leases in 1H24 (suburban: 9.1%, downtown: 9.5%). Occupancy edges higher by 0.3ppt qoq to 99.0% in 2Q24. Tenant retention was healthy at 85.7%. Tenant sales psf for suburban malls grew 1.8% yoy. Tenant sales psf for downtown malls dropped 0.9% yoy due to: a) Clark Quay still ramping up, and b) higher outbound travel being exacerbated by the strong Singapore dollar. In absolute dollar terms, tenant sales for downtown malls were up 4.3% yoy. New brands include SushiSamba at Capital Tower (dining and entertainment), IL Clay Supper Club at Clarke Quay (Italian-Mediterranean restaurant) and Lola's Cafe at Tampines Mall (neighbourhood cafe).

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,442	1,560	1,559	1,621	1,650
EBITDA	947	1,014	1,022	1,064	1,084
Operating profit	947	1,014	1,022	1,064	1,084
Net profit (rep./act.)	723	863	687	717	735
Net profit (adj.)	756	749	687	717	735
EPU (S\$ cents)	11.4	11.3	10.3	10.7	10.9
DPU (S\$ cents)	10.6	10.8	10.2	10.6	10.9
PE (x)	18.4	18.7	20.4	19.6	19.2
P/B (x)	1.0	1.0	1.0	1.0	1.0
DPU Yld (%)	5.0	5.1	4.9	5.1	5.2
Net margin (%)	50.2	55.3	44.1	44.3	44.5
Net debt/(cash) to equity (%)	66.3	65.8	67.6	68.4	68.5
Interest cover (x)	4.2	3.8	3.0	3.1	3.1
ROE (%)	5.2	6.1	4.8	5.0	5.2
Consensus DPU (S\$ cent)	n.a.	n.a.	10.9	11.0	12.0
UOBKH/Consensus (x)	-	-	0.94	0.97	0.91

Source: CapitaLand Integrated Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.10
Target Price	S\$2.29
Upside	+9.0%

COMPANY DESCRIPTION

CICT is the first and largest S-REIT listed on the SGX. It was established as CapitaLand Mall Trust (CMT) in Jul 02 and was renamed CICT in Nov 20 following the merger with CapitaLand Commercial Trust (CCT).

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CICT SP
Shares issued (m):	6,734.6
Market cap (S\$m):	14,142.6
Market cap (US\$m):	10,678.5
3-mth avg daily t'over (US\$m):	31.5

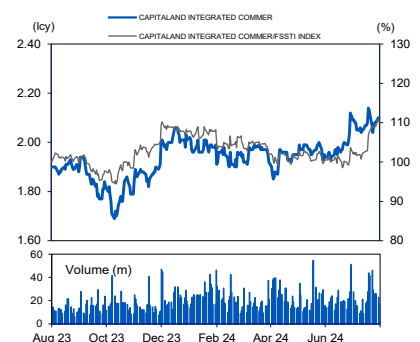
Price Performance (%)

52-week high/low	S\$2.14/S\$1.69
1mth	0.9
3mth	7.7
6mth	6.1
1yr	8.8
YTD	1.9

Major Shareholders

Temasek Hldgs	24.0
FY24 NAV/Share (S\$)	2.12
FY24 Net Debt/Share (S\$)	1.44

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Office: Maintained stable occupancy.** The office portfolio achieved positive rent reversion of 15.0% based on the average rent of signed leases in 1H24. Occupancy was stable at 95.3% in 2Q24 (Singapore: 97.3%, Australia: 88.0%). Tenant retention was healthy at 81.5%. Office tenants who signed new or renewed leases in 2Q24 include Jain Global (Singapore) and Wintermute Asia at CapitaGreen, China-Base Resource Singapore at Raffles City Tower and Wesfarmers Health at 66 Goulburn Street. Rental reversion could be flattish in 2H24 due to high average rents for leases expiring of S\$12.13psf for Asia Square Tower 2, S\$12.01psf for CapitaGreen and S\$12.29psf for Six Battery Road.
- Raising funds tapping on its MTN programme.** CICT is rated A- by Standard & Poor's and A3 by Moody's. CICT has issued S\$300m of fixed-rate notes at 3.75% in Jul 24. The fixed-rate notes have a tenure of 10 years and mature on 10 Jul 2034. The attractive coupon rate of 3.75% reflects CICT's strong credit standing. Medium-term notes (MTN) accounted for 46% of CICT's total borrowings.
- Cost of debt has stabilised.** Aggregate leverage eased slightly by 0.2ppt qoq to 39.8% as of Jun 24 due to its distribution reinvestment plan. Average cost of debt was stable at 3.5% in 2Q24. Management expects cost of debt to be stable at mid-3% in 2024. About 76% of its borrowings are on fixed interest rates while 80% of its borrowings due to expire in 2H24 have been refinanced or are in loan documentation stage.

STOCK IMPACT

- Active portfolio management.** Management will drive higher occupancy and rents, while managing operating cost prudently. It guided for high single-digit rental reversion for both the retail and office portfolios in 2024. It will optimise value through portfolio reconstitution, including asset recycling and divestments.
- AEIs at IMM Building and Gallileo are on track for completion in 2H25.** Phase 1 & 2 of AEI at IMM Building in Singapore has secured committed occupancy of 98.7%. Fila Kids Outlet and Anta Kids Outlet were added in 1Q24. The new food court on level 3, Makan Street, and new tenants are expected to start operations from 4Q24. IMM will be the largest outlet mall in Singapore with 110 outlet stores. The mechanical, electrical & plumbing systems and office lobbies of Gallileo in Frankfurt, Germany will be upgraded. Gallileo will be handed over to European Central Bank in phases from 2H25.
- Shopper traffic has improved at Bugis Junction and Bugis+.** Population within its immediate catchment has increased due to completion of Guoco Midtown office tower in Jan 23. The integrated development also has two blocks of luxury condominium Midtown Bay and Midtown Modern. New tenants HaveFun Karaoke and HaveFun LiveShow have also attracted more youths to Bugis+.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecasts.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.29 is based on the dividend discount model (cost of equity: 6.75%, terminal growth: 2.2%).

SHARE PRICE CATALYST

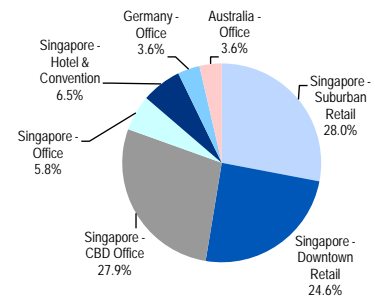
- Steady recovery in shopper traffic and tenant sales at CICT's downtown malls driven by a recovery in tourist arrivals and work-from-office momentum.
- Asset enhancement and redevelopment of existing properties.

KEY OPERATING METRICS

	2Q23	3Q23	4Q23	1Q24	2Q24	yoy % change	qoq % change*
DPU (S cents)	5.30	n.a.	5.45	n.a.	5.43	2.5%	-0.4%
NAV per unit (S\$)	2.12	n.a.	2.13	n.a.	2.13	0.5%	-0.1%
Occupancy	96.7%	97.3%	97.3%	97.0%	96.8%	0.1ppt	-0.2ppt
Aggregate Leverage	40.4%	40.8%	39.9%	40.0%	39.8%	-0.6ppt	-0.2ppt
All-in-Financing Cost	3.2%	3.3%	3.4%	3.5%	3.5%	0.3ppt	0ppt
% Borrowing in Fixed Rates	78%	78%	78%	76%	76%	-2ppt	0ppt
WALE by Gross Rental	3.6	3.5	3.4	3.6	3.6	0yrs	0yrs
Debt Maturity	4.3	4.1	3.9	3.8	3.5	-0.8yrs	-0.3yrs

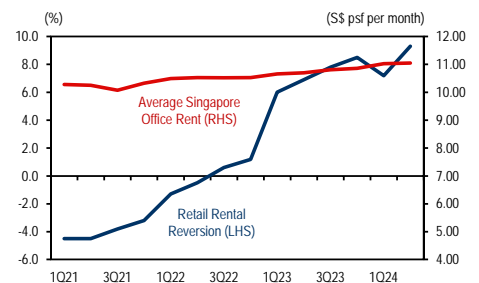
Source: CICT, UOB Kay Hian * hoh % chg for DPU and NAV per unit.

GROSS REVENUE BY ASSET TYPE (DEC 23)



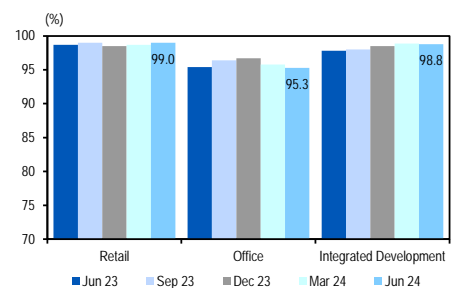
Source: CICT

RENTAL REVERSION FOR RETAIL AND AVERAGE SINGAPORE OFFICE RENT



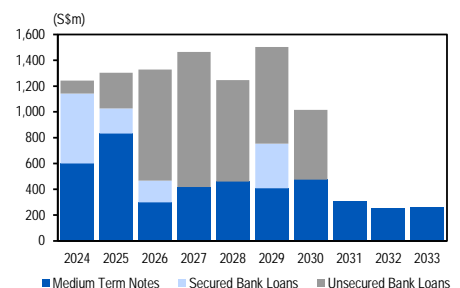
Source: CICT

OCCUPANCY RATES



Source: CICT

DEBT MATURITY PROFILE



Source: CICT

PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	1,559.9	1,559.1	1,620.8	1,650.3
EBITDA	1,013.8	1,021.7	1,063.9	1,084.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	1,013.8	1,021.7	1,063.9	1,084.1
Associate contributions	15.6	20.9	20.9	20.9
Net interest income/(expense)	(263.6)	(335.0)	(347.0)	(349.5)
Pre-tax profit	879.3	707.5	737.7	755.4
Tax	(10.1)	(20.0)	(20.0)	(20.0)
Minorities	(6.6)	(0.4)	(0.4)	(0.4)
Net profit	862.6	687.1	717.3	735.0
Net profit (adj.)	749.0	687.1	717.3	735.0

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	1,079.8	971.7	1,044.9	1,052.2
Pre-tax profit	765.8	707.5	737.7	755.4
Associates	(15.6)	(20.9)	(20.9)	(20.9)
Working capital changes	29.9	(6.5)	12.7	6.1
Other operating cashflows	299.7	291.6	315.3	311.6
Investing	(38.9)	(200.0)	(85.0)	30.0
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(118.1)	(260.0)	(145.0)	(30.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	79.2	60.0	60.0	60.0
Financing	(1,148.6)	(759.5)	(956.3)	(1,082.0)
Distribution to unitholders	(708.2)	(682.1)	(713.3)	(731.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(92.6)	273.6	120.0	15.0
Others/interest paid	(347.9)	(351.0)	(363.0)	(365.5)
Net cash inflow (outflow)	(107.7)	12.2	3.5	0.3
Beginning cash & cash equivalent	248.4	140.7	152.9	156.5
Ending cash & cash equivalent	140.7	152.9	156.5	156.8

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	24,029.9	24,289.9	24,434.9	24,464.9
Other LT assets	514.7	514.7	514.7	514.7
Cash/ST investment	140.7	152.9	156.5	156.8
Other current assets	53.8	67.4	70.0	71.2
Total assets	24,739.1	25,024.9	25,176.0	25,207.5
ST debt	1,001.4	1,001.4	1,001.4	1,001.4
Other current liabilities	487.0	509.9	529.3	538.6
LT debt	8,476.4	8,750.0	8,870.0	8,885.0
Other LT liabilities	372.6	357.0	364.6	368.2
Shareholders' equity	14,199.8	14,204.8	14,208.8	14,212.4
Minority interest	201.9	201.9	201.9	201.9
Total liabilities & equity	24,739.1	25,024.9	25,176.0	25,207.5

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	65.0	65.5	65.6	65.7
Pre-tax margin	56.4	45.4	45.5	45.8
Net margin	55.3	44.1	44.3	44.5
ROA	3.5	2.8	2.9	2.9
ROE	6.1	4.8	5.0	5.2
Growth				
Turnover	8.2	(0.1)	4.0	1.8
EBITDA	7.1	0.8	4.1	1.9
Pre-tax profit	20.5	(19.5)	4.3	2.4
Net profit	19.2	(20.3)	4.4	2.5
Net profit (adj.)	(0.9)	(8.3)	4.4	2.5
EPU	(1.2)	(8.6)	4.0	2.1
Leverage				
Debt to total capital	39.7	40.4	40.7	40.7
Debt to equity	66.7	68.6	69.5	69.6
Net debt/(cash) to equity	65.8	67.6	68.4	68.5
Interest cover (x)	3.8	3.0	3.1	3.1

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