

COMPANY RESULTS

CapitaLand Integrated Commercial Trust (CICT SP)

1Q24: Secures ECB As New Anchor Tenant At Gallileo

Singapore provides resilient growth with CICT's retail and office leases registering positive rental reversion of 7.2% and 14.1% respectively in 1Q24. Retention rate was high at 88.1% for retail and 84.2% for office. CICT has embarked on AEI works for IMM Building in Singapore. It has secured ECB as the new anchor tenant at Gallileo in Frankfurt, Germany for a period of 10 years. CICT provides a resilient 2024 distribution yield of 5.7%. Maintain BUY. Target price: S\$2.34.

1Q24 RESULTS

Year to 31 Dec (S\$m)	1Q24	yoy % chg	Remarks
Gross Revenue			
Retail	148.1	+2.3	Rental reversion turned positive since 3Q22.
Office	130.7	+2.0	Office occupancy improved 1.0ppt yoy to 97.5% in 1Q24.
Integrated Developments	119.8	+3.7	Raffles City Singapore benefitted from AEI.
Total	398.6	+2.6	
Net Property Income (NPI)			
Retail	107.3	+6.0	
Office	100.0	+7.6	New leases contribute to cash flow since 2Q23.
Integrated Developments	86.4	+5.1	
Total	293.7	+6.3	Benefitting from lower expenses on utilities.

Source: CICT, UOB Kay Hian

RESULTS

- CapitaLand Integrated Commercial Trust's (CICT) 1Q24 business update is in line with our expectations.
- Benefitting from resiliency and growth in Singapore.** Gross revenue and NPI grew 2.6% and 6.3% yoy respectively in 1Q24. NPI margin improved 2.6ppt yoy to 73.7% primarily due to lower expenses on utilities.
- Retail: Resiliency from suburban malls.** CICT achieved positive rental reversion of 7.2% on an average-to-average basis for retail properties in 1Q24 (suburban: 7.2%, downtown: 7.1%) (2023: 8.5%). Committed occupancy for retail improved 0.2ppt qoq to 98.7%. Tenant sales psf increased 2.1% (suburban: 3.1%, downtown: 1.7%). Tenant sales psf saw healthy growth from beauty & health (+7.9% yoy), food & beverage (+4.9% yoy) and jewellery & watches (+4.5% yoy), driven by the pick-up in tourist arrivals.
- Office: Pick-up in rental reversion.** CICT achieved stellar positive rental reversion of 14.1% for office properties in 1Q24 (2023: 9.0%). Occupancy for the Singapore office improved 1.0ppt yoy but dipped 0.9ppt qoq to 95.8% due to transitory vacancy at CapitaGreen (discussion with prospective tenants are ongoing). Major expansions committed in 1Q24 include Mizuho Securities at Asia Square Tower 2 and Qube Research & Technologies at Six Battery road. The average rent of its Singapore office portfolio rose 2.4% yoy to S\$10.63psf per month. Occupancy was stable at 88.6% for the Australia office portfolio.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,442	1,560	1,583	1,616	1,646
EBITDA	947	1,014	1,038	1,061	1,081
Operating profit	947	1,014	1,038	1,061	1,081
Net profit (rep./act.)	723	863	718	733	751
Net profit (adj.)	756	749	718	733	751
EPU (S\$ cents)	11.4	11.3	10.8	10.9	11.2
DPU (S\$ cents)	10.6	10.8	10.7	10.9	11.1
PE (x)	16.5	16.7	17.5	17.2	16.8
P/B (x)	0.9	0.9	0.9	0.9	0.9
DPU Yld (%)	5.6	5.7	5.7	5.8	5.9
Net margin (%)	50.2	55.3	45.3	45.4	45.6
Net debt/(cash) to equity (%)	66.3	65.8	67.5	68.3	68.4
Interest cover (x)	4.2	3.8	3.2	3.2	3.3
ROE (%)	5.2	6.1	5.1	5.2	5.3
Consensus DPU (S\$ cent)	n.a.	n.a.	11.0	11.0	12.0
UOBKH/Consensus (x)	-	-	0.97	0.99	0.93

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

BUY

(Maintained)

Share Price	S\$1.88
Target Price	S\$2.34
Upside	+24.5%

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):	6,731.6
Market cap (S\$m):	12,655.3
Market cap (US\$m):	9,291.7
3-mth avg daily t'over (US\$m):	33.0

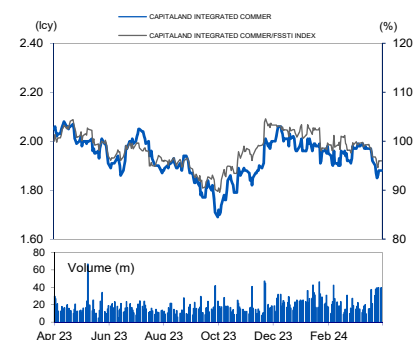
Price Performance (%)

52-week high/low		S\$2.08/S\$1.69		
1mth	3mth	6mth	1yr	YTD
(1.6)	(4.1)	6.8	(6.9)	(8.7)

Major Shareholders

Temasek Hldgs	24.0
FY24 NAV/Share (S\$)	2.12
FY24 Net Debt/Share (S\$)	1.43

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Prudent capital management.** Aggregate leverage was stable at 40.0% as of end-Mar 24. Cost of debt inched up slightly by 0.1ppt qoq to 3.5% in 1Q24. Management guided for cost of debt at mid-to-high 3% for 2024.

STOCK IMPACT

- **Continued recovery in retail rents.** Leasing momentum remains strong in 1Q24 due to resilient consumer spending boosted by the disbursement of CDC vouchers. Demand was driven by food & beverage operators and the proliferation of new-to-market brands. Downtown malls outperformed due to tourism recovery, high-profile concerts, and back-to-office momentum. CBRE expects retail rents to continue to recover in 2024.
- **Expect a gradual rise in office rents.** Gross effective rents for Grade A office space in Core CBD increased 1.7% yoy and 0.4% qoq to S\$11.95psf/month, driven by low vacancies and flight to quality. Leasing demand is relatively subdued, and are mainly for small to mid-sized requirements from private wealth, insurance and legal sectors. CBRE forecasts Grade A core CBD rents to increase 2-3% in 2024.
- **CICT has commenced AEI at Level 1 of IMM Building** to strengthen its outlet offerings with the addition of Fila Kids Outlet and Anta Kids Outlet. Committed occupancy for Phase 1 and 2 of the space undergoing the asset enhancement initiative (AEI), including leases under advanced negotiations, is high at 75%. It will also right-size the supermarket's footprint, refresh common areas and upgrade mall amenities. IMM Building will remain operational during the AEI, which is carried out over four phases. Management targets to achieve ROI of about 8%. The AEI is expected to be completed in 3Q25.
- **Secures ECB as new anchor tenant at Gallileo.** CICT has secured the European Central Bank (ECB), the central bank for the Euro zone, as the new anchor tenant at Gallileo. Gallileo is a 38-storey Grade A office building located in the banking district of Frankfurt, Germany. The ECB will occupy 93% of the building's total NLA for a period of 10 years. CICT has commenced AEI at Gallileo to improve the building's existing infrastructure, including mechanical, electrical and building automation systems, since Feb 24. It will invest €180m in the AEI, which will be carried out over three phases and take about 18 months to complete. CICT will progressively hand over the leased area to the ECB starting 2H25.
- **Portfolio reconstitution.** CICT could deleverage by divesting Bukit Panjang Plaza (valuation: S\$360m), 21 Collyer Quay (valuation: S\$649m) and 35% stake in Citadines Raffles Place. Discussions are in the exploratory stage.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.34 is based on the Dividend Discount Model (cost of equity: 6.75%, terminal growth: 2.2%).

SHARE PRICE CATALYST

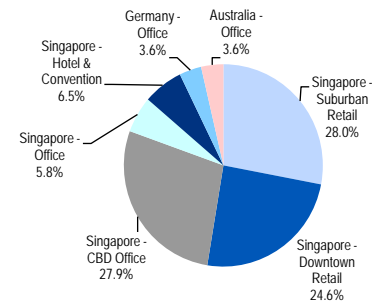
- Steady recovery in shopper traffic and tenant sales at CICT's downtown malls driven by a recovery in tourist arrivals and employees returning to offices.
- Asset enhancement and redevelopment of existing properties.

KEY OPERATING METRICS – CICT

	1Q23	2Q23	3Q23	4Q23	1Q24	yoy % change	qoq % change*
DPU (S cents)	n.a.	5.30	n.a.	5.45	n.a.	n.a.	n.a.
NAV per unit (S\$)	n.a.	2.12	n.a.	2.13	n.a.	n.a.	n.a.
Occupancy	96.2%	96.7%	97.3%	97.3%	97.0%	0.8ppt	-0.3ppt
Aggregate Leverage	40.9%	40.4%	40.8%	39.9%	40.0%	-0.9ppt	0.1ppt
All-in-Financing Cost	3.1%	3.2%	3.3%	3.4%	3.5%	0.4ppt	0.1ppt
% Borrowing in Fixed Rates	77%	78%	78%	78%	76%	-1ppt	-2ppt
WALE by Gross Rental	3.7	3.6	3.5	3.4	3.6	-0.1yrs	0.2yrs
Debt Maturity	4.2	4.3	4.1	3.9	3.8	-0.4yrs	-0.1yrs

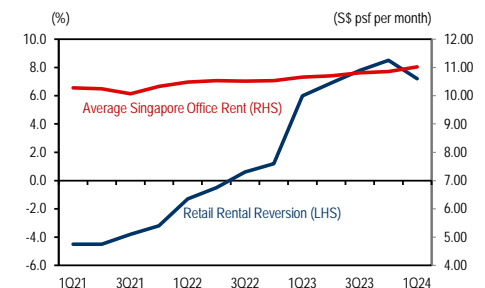
Source: CICT, UOB Kay Hian * hoh % chg for DPU and NAV per unit.

GROSS REVENUE BY ASSET TYPE (2023)



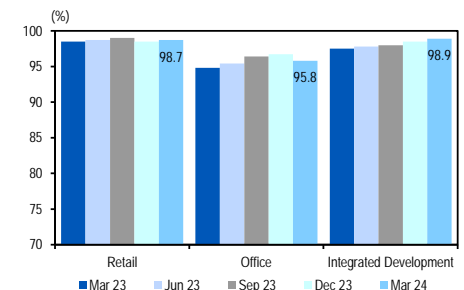
Source: CICT

RENTAL REVERSION FOR RETAIL AND AVERAGE SINGAPORE OFFICE RENT



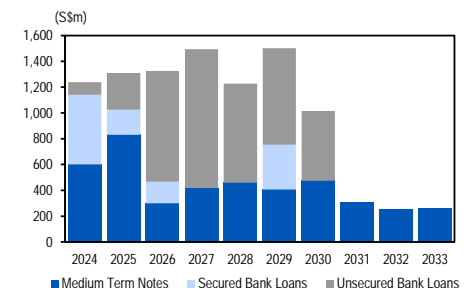
Source: CICT

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	1,582.6	1,615.9	1,645.8
EBITDA	1,013.8	1,037.7	1,060.6	1,081.0
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	1,013.8	1,037.7	1,060.6	1,081.0
Associate contributions	15.6	20.9	20.9	20.9
Net interest income/(expense)	(263.6)	(320.5)	(327.9)	(330.5)
Pre-tax profit	879.3	738.1	753.5	771.3
Tax	(10.1)	(20.0)	(20.0)	(20.0)
Minorities	(6.6)	(0.4)	(0.4)	(0.4)
Net profit	862.6	717.7	733.1	750.9
Net profit (adj.)	749.0	717.7	733.1	750.9

BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	24,029.9	24,287.9	24,427.9	24,457.9
Other LT assets	514.7	514.7	514.7	514.7
Cash/ST investment	140.7	163.9	191.2	176.7
Other current assets	53.8	68.4	69.8	71.0
Total assets	24,739.1	25,034.9	25,203.6	25,220.3
ST debt	1,001.4	1,001.4	1,001.4	1,001.4
Other current liabilities	487.0	517.3	527.8	537.2
LT debt	8,476.4	8,750.0	8,900.0	8,900.0
Other LT liabilities	372.6	359.9	364.0	367.7
Shareholders' equity	14,199.8	14,204.4	14,208.5	14,212.2
Minority interest	201.9	201.9	201.9	201.9
Total liabilities & equity	24,739.1	25,034.9	25,203.6	25,220.3

CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	1,079.8	997.2	1,030.2	1,049.3
Pre-tax profit	765.8	738.1	753.5	771.3
Associates	(15.6)	(20.9)	(20.9)	(20.9)
Working capital changes	29.9	(1.7)	6.8	6.1
Other operating cashflows	299.7	281.6	290.8	292.7
Investing	(38.9)	(198.0)	(80.0)	30.0
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(118.1)	(258.0)	(140.0)	(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)	(776.0)	(922.9)	(1,093.8)
Distribution to unitholders	(708.2)	(713.1)	(729.0)	(747.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(92.6)	273.6	150.0	0.0
Others/interest paid	(347.9)	(336.5)	(343.9)	(346.5)
Net cash inflow (outflow)	(107.7)	23.2	27.3	(14.5)
Beginning cash & cash equivalent	248.4	140.7	163.9	191.2
Ending cash & cash equivalent	140.7	163.9	191.2	176.7

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	65.0	65.6	65.6	65.7
Pre-tax margin	56.4	46.6	46.6	46.9
Net margin	55.3	45.3	45.4	45.6
ROA	3.5	2.9	2.9	3.0
ROE	6.1	5.1	5.2	5.3
Growth				
Turnover	8.2	1.5	2.1	1.8
EBITDA	7.1	2.4	2.2	1.9
Pre-tax profit	20.5	(16.1)	2.1	2.4
Net profit	19.2	(16.8)	2.1	2.4
Net profit (adj.)	(0.9)	(4.2)	2.1	2.4
EPU	(1.2)	(4.5)	1.8	2.1
Leverage				
Debt to total capital	39.7	40.4	40.7	40.7
Debt to equity	66.7	68.7	69.7	69.7
Net debt/(cash) to equity	65.8	67.5	68.3	68.4
Interest cover (x)	3.8	3.2	3.2	3.3

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