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KEY HIGHLIGHTS

Small/Mid Cap Highlights

Elite Commercial REIT (ELITE SP/NOT RATED/£0.25)

A visit to Elite's buildings in the UK.

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TRADERS' CORNER

Sembcorp Industries (SCI SP): Trading SELL

Keppel Corp (KEP SP): Trading SELL

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KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33618.9	(1.1)	(2.6)	(2.1)	1.4
S&P 500	4273.5	(1.5)	(3.8)	(3.0)	11.3
FTSE 100	7625.7	0.0	(0.5)	3.9	2.3
AS30	7238.3	(0.6)	(2.1)	(1.3)	0.2
CSI 300	3692.9	(0.6)	(0.7)	(0.4)	(4.6)
FSSTI	3215.1	(0.0)	(0.8)	0.8	(1.1)
HSCEI	6030.8	(1.6)	(3.3)	(2.3)	(10.1)
HSI	17466.9	(1.5)	(2.9)	(2.7)	(11.7)
JCI	6923.8	(1.1)	(0.8)	0.4	1.1
KLCI	1445.6	0.1	(0.8)	0.1	(3.3)
KOSPI	2463.0	(1.3)	(3.8)	(2.2)	10.1
Nikkei 225	32315.1	(1.1)	(2.8)	2.2	23.8
SET	1494.0	(0.9)	(1.9)	(4.2)	(10.5)
TWSE	16276.1	(1.1)	(2.2)	(1.2)	15.1
BDI	1694	5.0	11.0	56.9	11.8
CPO (RM/mt)	3677	0.9	(0.5)	(3.4)	(9.2)
Brent Crude (US\$/bbl)	94	0.7	(0.4)	11.2	9.4

Source: Bloomberg

TOP VOLUME

Company	Price (S\$)	Chg (%)	Volume ('000s)
Seatrium	0.13	0.0	227,618
ESR-LOGOS REIT	0.28	(9.8)	59,793
Yangzijiang Shipbuilding	1.66	(2.9)	21,930
Genting Singapore	0.84	0.0	18,462
Thai Beverage	0.59	(0.8)	16,759

TOP GAINERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
OUE Commercial REIT	0.24	9.3	11,286
UMS Holdings	1.28	2.4	12,051
Thomson Medical Group	0.06	1.7	3,509
Sinarmas Land	0.19	1.6	35
Hutchison Port Holdings Trust	0.16	1.3	1,284

TOP LOSERS

Company	Price (S\$)	Chg (%)	Volume ('000s)
ESR-LOGOS REIT	0.28	(9.8)	59,793
Sri Trang Agro-Industry	0.63	(5.3)	0
Yangzijiang Shipbuilding	1.66	(2.9)	21,930
Keppel Infrastructure Trust	0.48	(2.1)	15,155
Golden Agri-Resources	0.26	(1.9)	11,559

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

SMALL/MID CAP HIGHLIGHTS

Elite Commercial REIT (ELITE SP)

A Visit To Elite's Buildings In The UK

Elite is Singapore's first and only UK-focused S-REIT, with a portfolio of mostly freehold office spaces in the UK. Our visit of 14 properties covered London, North West and Scotland, and these were mainly leased to the UK government's DWP which made up 92% of its 1H23 gross rental income. According to Bloomberg, Elite currently trades at above average yield of 14.4% vs its peers.

WHAT'S NEW

- Recession-proof REIT with stable cashflow.** We visited the office premises of 14 properties in Elite Commercial REIT's (Elite) portfolio across three regions. These are a mostly a mix of Jobcentre Plus and back offices for its key tenant, the Department for Work and Pensions (DWP). The DWP, which generated 92% of 1H23 gross rental income, is the UK's largest public service department administering pension services and welfare benefits to over 20m persons. The UK government is rated AA and Aa3 by S&P and Moody's respectively and has one of the lowest debt-to-GDP ratios among the G7 countries, ensuring credit stability for Elite. On top of this, the weighted average lease expiry (WALE) was 4.5 years as at end-1H23, providing strong income visibility.
- Strong asset mix.** Elite's portfolio of 155 buildings as of 30 Jun 23 is geographically diversified across the UK with total NLA of 3.9m sf and site area of 72ha. Around 97% of its properties are freehold, and portfolio valuation as at 31 Dec 22 stood at £466.2m, while the majority of its gross rental income is derived from triple net leases.
- Prioritising vacant asset management, capital management and portfolio future-proofing.** In Elite's portfolio, a total of 12 assets have been vacated, of which two have been divested at an overall 14.4% premium above valuation as of 31 Jul 23, and three in advanced stages of divestment. A portion of the recycled gross proceeds was subsequently been used to improve gearing to 46.0% as of 1H23 (1Q23: 46.6%). During our visit, we observed that physical occupancy at front-facing Jobcentre Plus remains high, as the services provided require claimants to be physically present. Services provided by the DWP are highly essential to local communities, and Elite's strategically located assets (ie easily accessible by bus or train) allow the DWP to serve the public effectively.
- Positive rental reversions despite some challenges.** Meanwhile, back offices such as call centres have lower physical occupancy due to the hybrid work model, where staff are only required to be in office at least twice a week. We note that management has reduced rent across 11 properties to effectively retain the tenant, and is actively sourcing for potential tenants for unused spaces in the meantime. Despite this, there is a net annualised rent increase of approximately 13.1% across the remaining portfolio, cushioning the negative impact from vacated assets and rental cuts.
- Trading at above average yield.** Elite's 2023 yield of 14.4% is higher than 5.1% for peers investing in UK commercial properties and 6.2% for SGX-listed office REITs.

KEY FINANCIALS

Year to 31 Dec (£m)	2020*	2021	2022	1H23
Net turnover	21	35	37	21
EBITDA	16	29	32	18
Operating profit	16	29	32	18
Net profit (rep./act.)	7	23	23	11
Net profit (adj.)	7	23	23	11
EPU (GBP pence)	2.2	5.2	4.8	4.6
DPU (GBP pence)	4.4	5.4	4.8	3.6
PE (x)	11.2	4.8	5.2	6.9
P/B (x)	0.4	0.4	0.5	0.5
DPU Yld (%)	17.8	21.7	19.2	14.4
Net margin (%)	35.6	66.1	62.1	51.7
Net debt/(cash) to equity (%)	37.6	70.7	85.9	88.5
Interest cover (x)	6.6	6.0	4.3	3.1
ROE (%)	n.a.	9.1	8.6	4.1
Consensus DPU	n.a.	n.a.	n.a.	n.a.
UOBKH/Consensus (x)	-	-	-	-

* Period from 6 Feb 20 to 31 Dec 20.

Source: Elite Commercial REIT, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	£0.25
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Elite is the first UK-focused S-REIT listed on the SGX. It principally invests in commercial real estate in the UK.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	ELITE SP
Shares issued (m):	483.0
Market cap (£m):	120.7
Market cap (US\$m):	147.1
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

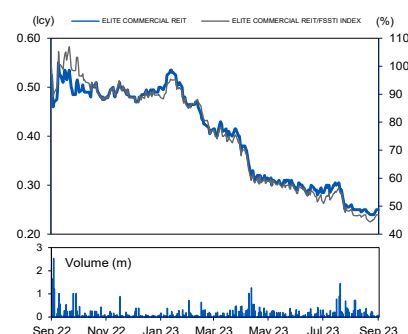
52-week high/low	£0.550/£0.240			
1mth	3mth	6mth	1yr	YTD
(2.0)	(15.3)	(39.0)	(52.4)	(46.8)

Major Shareholders

	%
Exor Nederland	22.6
Ho Lee Group Trust	7.6
Sunway RE Capital	5.6

FY23 NAV/Share (£)	0.51
FY23 Net Cash/Share (£)	0.43

PRICE CHART



Source: Bloomberg

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PROPERTIES VIEWED ON SITE VISIT

Building	Region	Valuation (GBPm)	NLA (sf)
Collyer Court, Peckham	London	7.8	16,786
Peckham High Street	London	9.0	17,470
Crown House, Romford	London	10.2	35,119
High Road, Ilford	London	6.2	18,741
Oates House, Stratford	London	8.0	14,424
Great Western House, Birkenhead	North West	8.7	80,141
Peel Park, Blackpool	North West	25.0	156,542

Building	Region	Valuation (GBPm)	NLA (sf)
Tomlinson House, Blackpool Norcross Lane	North West	10.6	93,502
Duchy House, Preston	North West	3.2	43,217
Palatine House, Preston	North West	2.7	36,522
Whitburn Road, Bathgate	Scotland	1.9	31,484
Parklands, Falkirk	Scotland	9.3	81,350
Heron House, Falkirk	Scotland	3.1	25,454
Glasgow Benefits Centre, Glasgow	Scotland	30.0	137,287

CROWN HOUSE, ROMFORD



Source: Elite Commercial REIT, UOB Kay Hian

OATES HOUSE, STRATFORD



Source: Elite Commercial REIT, UOB Kay Hian

GREAT WESTERN HOUSE, BIRKEN HEAD



Source: Elite Commercial REIT, UOB Kay Hian

PEEL PARK, BLACKPOOL



Source: Elite Commercial REIT, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Curr	Price @ 26 Sep 23 (lcy)	Target Price	Market Cap (US\$m)	Yield			Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
							2022 (x)	2023F (x)	2024F (x)			
UK												
Great Portland Estates	GPE LN	NR	£	430.2	n.a.	1,330.3	2.9	2.9	3.0	27.5	21.0	0.57
Land Securities Group	LAND LN	NR	£	608.2	n.a.	5,518.1	6.3	6.5	6.6	50.5	32.3	0.64
British Land	BLND LN	NR	£	321	n.a.	3,625.6	7.1	6.9	7.1	43.4	28.9	0.54
Derwent London	DLN LN	NR	£	1905	n.a.	2,605.7	4.1	4.2	4.3	30.6	22.7	0.55
Average							5.1	5.1	5.2	38.0	26.2	0.58
SINGAPORE												
CapitaLand Comm	CICT SP	BUY	S\$	1.86	2.20	9,050.4	5.7	5.7	5.9	68.3	40.4	0.88
Keppel REIT	KREIT SP	BUY	S\$	0.87	1.12	2,398.1	6.8	6.6	6.7	73.2	39.2	0.65
Average							6.2	6.1	6.3	70.7	39.8	0.76
Elite Commercial REIT	ELITE SP	NR	£	0.25	n.a.	147.1	19.2	14.4	14.8	90.9	46.0	0.49

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (£m)	2020*	2021	2022
Net turnover	21.0	34.7	37.1
EBITDA	15.6	29.2	32.0
Deprec. & amort.	0.0	0.0	0.0
EBIT	15.6	29.2	32.0
Net interest income/(expense)	(2.4)	(4.9)	(7.4)
Pre-tax profit	13.2	24.3	24.5
Tax	(5.7)	(1.4)	(1.5)
Net profit	7.5	23.0	23.0
Net profit (adj.)	7.5	23.0	23.0

BALANCE SHEET

Year to 31 Dec (£m)	2020*	2021	2022
Fixed assets	311.9	501.3	460.0
Other LT assets	0.0	0.5	0.1
Cash/ST investment	20.2	19.5	7.4
Other current assets	0.9	12.0	19.3
Total assets	332.9	533.4	486.8
ST debt	0.0	6.6	7.2
Other current liabilities	7.9	15.4	15.2
LT debt	101.9	217.3	213.1
Other LT liabilities	5.9	5.0	3.4
Shareholders' equity	217.2	289.0	247.9
Total liabilities & equity	332.9	533.4	486.8

CASH FLOW

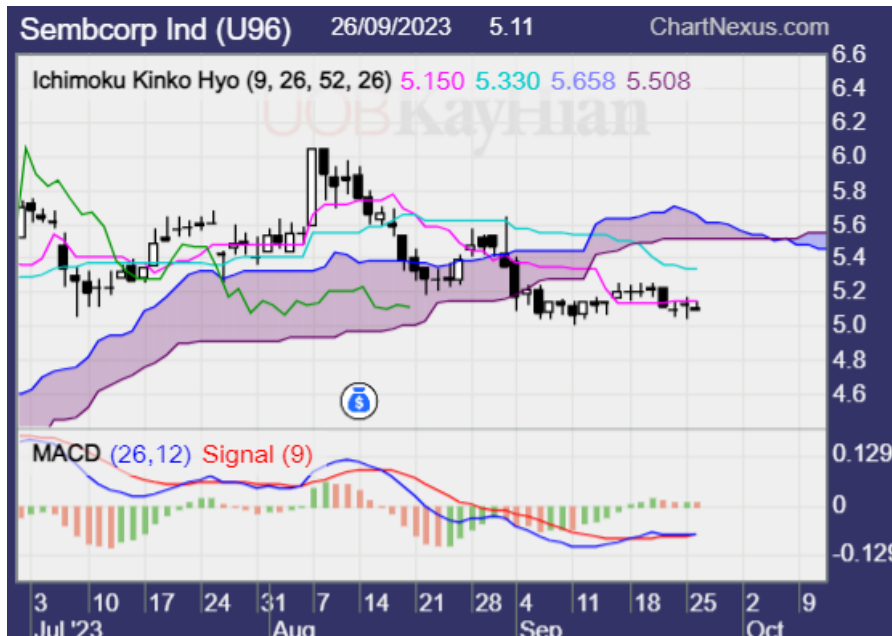
Year to 31 Dec (£m)	2020*	2021	2022
Operating	16.5	22.7	27.9
Pre-tax profit	29.1	(3.4)	(16.8)
Tax	(2.6)	(2.9)	(2.4)
Working capital changes	(2.5)	(6.3)	(1.7)
Non-cash items	(14.4)	30.7	41.4
Other operating cashflows	6.9	4.6	7.4
Investing	0.0	(9.4)	(7.4)
Capex (growth)	0.0	(9.4)	(7.4)
Capex (maintenance)	0.0	0.0	0.0
Financing	(15.6)	(14.1)	(33.2)
Distribution to unitholders	(16.3)	(17.6)	(22.8)
Issue of shares	130.9	0.0	0.0
Proceeds from borrowings	(105.6)	8.6	(3.4)
Others/interest paid	(24.6)	(5.1)	(7.0)
Net cash inflow (outflow)	0.8	(0.8)	(12.7)
Beginning cash & cash equivalent	18.1	20.2	19.5
Restricted cash	1.2	0.1	0.7
Ending cash & cash equivalent	20.2	19.5	7.4

KEY METRICS

Year to 31 Dec (%)	2020*	2021	2022
Profitability			
EBITDA margin	74.2	84.1	86.2
Pre-tax margin	63.0	70.1	66.2
Net margin	35.6	66.1	62.1
ROA	n.a.	5.3	4.5
ROE	n.a.	9.1	8.6
Growth			
Turnover	n.a.	65.7	6.7
EBITDA	n.a.	87.5	9.5
Pre-tax profit	n.a.	84.2	0.8
Net profit	n.a.	207.5	0.3
Net profit (adj.)	n.a.	207.5	0.3
EPU	n.a.	131.5	(7.3)
Leverage			
Debt to total capital	31.9	43.6	47.0
Debt to equity	46.9	77.5	88.9
Net debt/(cash) to equity	37.6	70.7	85.9

* Period from 6 Feb 20 to 31 Dec 20.

TRADERS' CORNER



Sembcorp Industries (SCI SP)

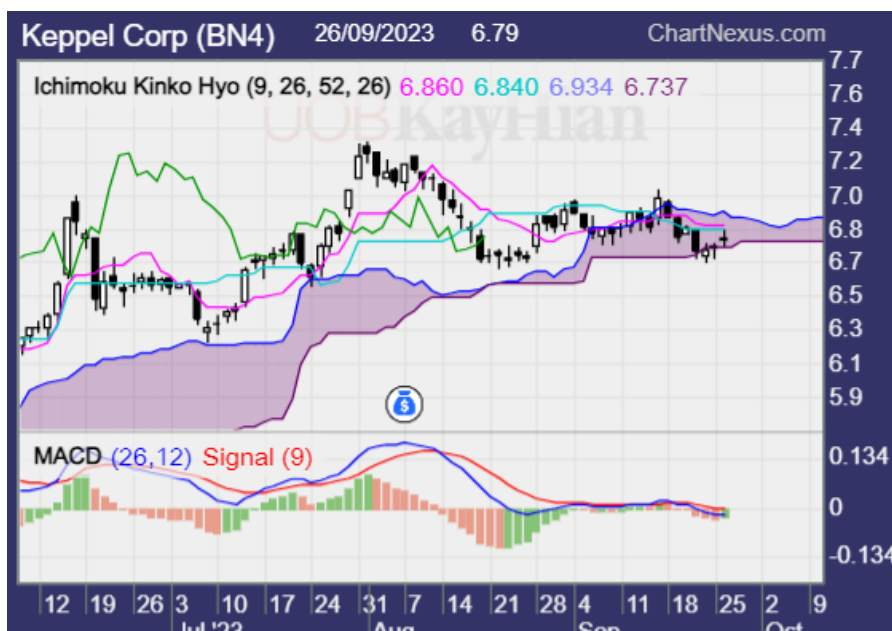
Trading sell range: S\$5.10-5.12
 Last price: S\$5.11
 Target price: S\$4.65
 Protective stop: S\$5.30

The price is trading below the cloud, keeping the downtrend intact. Conversion and base lines remain in a bearish crossover. The MACD is bearish and a bearish crossover is likely. These could increase chances of the stock price continuing to move lower.

The potential downside target is S\$4.65. Stop-loss could be placed at S\$5.30.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$7.20.



Keppel Corp (KEP SP)

Trading sell range: S\$6.78-6.80
 Last price: S\$6.79
 Target price: S\$6.30
 Protective stop: S\$6.93

The price is currently sitting at the key cloud support. A violation of this support will turn the chart outlook to bearish. A bearish conversion and base lines crossover are likely. The MACD is bearish. These could increase chances of the stock price moving lower.

The potential downside target is S\$6.30. Stop-loss could be placed at S\$6.93.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$9.09.

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