

ASEAN GEMS CORPORATE HIGHLIGHTS

United Hampshire US REIT (UHU SP)

Hallmark Of Defensive Strength

UHU is exceptionally defensive in many ways: a) its strip centres benefit from a demographic shift towards suburban locations, b) necessity spending accounted for a sizeable 62% of its base rental income, c) its strip centres have a long WALE of 7.1 years and lease expiries in 2024 accounted for only 2.2% of base rental income, and d) there is no refinancing requirement until Nov 26. Valuation is attractive with 2024 distribution yield at 9.7% and P/NAV at 0.64x. Maintain BUY. Target price: US\$0.68.

WHAT'S NEW

- Resiliency from long WALE.** United Hampshire (UHU) signed six leases totalling 100,392sf in 4Q23 (two new leases and four renewals). It achieved positive low single-digit rental reversion. It has maintained a high tenant retention ratio of 92% since its IPO. Committed occupancy inched higher by 0.5ppt yoy and 0.2ppt qoq to 97.4% in 4Q23. UHU's grocery and necessity properties have a long WALE of 7.1 years. There is minimal roll-over risk with leases expiring in 2024 accounting for only 2.2% of base rental income.
- Resiliency from essential services.** As of Dec 23, 61.6% of UHU's base rental income was derived from tenants providing essential services. Its triple net leases require tenants to reimburse the landlord for property taxes, insurance and maintenance for common areas, which shelter UHU from the negative impact of higher inflation. Leases for anchor tenants typically have built-in rental escalation of 5-10% for every 5-10 years. Tenants typically do not have early termination rights.
- Strip centres benefit from population migration...** Strip centres benefit from hybrid work arrangements as consumers are spending more time at home at suburban locations. Thus, foot traffic at strip centres has improved, especially during weekdays.
- ...and adapt through a seamless omni-channel strategy.** Shoppers are returning to physical stores, which are differentiated by pleasant in-store shopping experiences, including the ability to see and try out products. Shoppers are able to purchase their desired products instantaneously without having to wait for delivery. Strip centres, in particular, have redesigned their layout to complement the usage of e-commerce apps, including offering curbside pick-up. Nowadays, strip centres also serve as last-mile fulfilment hubs to deliver online orders and process returns.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2022	2023	2024F	2025F	2026F
Net turnover	67	72	75	76	77
EBITDA	41	45	46	48	49
Operating profit	41	45	46	48	49
Net profit (rep./act.)	25	33	26	28	28
Net profit (adj.)	25	22	26	28	28
EPU (US\$ cent)	4.5	3.9	4.6	4.9	5.0
DPU (US\$ cent)	5.9	4.8	4.5	4.8	4.9
PE (x)	10.4	12.0	10.1	9.4	9.3
P/B (x)	0.6	0.6	0.6	0.6	0.6
DPU Yld (%)	12.6	10.3	9.7	10.4	10.5
Net margin (%)	37.7	45.4	35.1	37.0	36.8
Net debt/(cash) to equity (%)	71.1	71.8	73.2	74.1	75.0
Interest cover (x)	3.4	2.8	2.8	2.9	2.9
ROE (%)	6.0	7.7	6.1	6.5	6.5
Consensus DPU (US\$ cent)	n.a.	n.a.	5.1	4.7	5.0
UOBKH/Consensus (x)	-	-	0.89	1.03	0.98

Source: United Hampshire US REIT, Bloomberg, UOB KayHian

BUY

(Maintained)

Share Price	US\$0.465
Target Price	US\$0.68
Upside	+46.2%

COMPANY DESCRIPTION

UHREIT invests in income-producing real estate used primarily for grocery-anchored & necessity-based retail and self-storage purposes in the US.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	UHU SP
Shares issued (m):	581.7
Market cap (US\$m):	270.5
Market cap (US\$m):	270.5
3-mth avg daily t'over (US\$m):	0.2

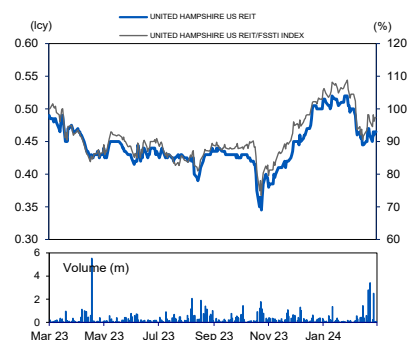
Price Performance (%)

52-week high/low	US\$0.520/US\$0.345				
1mth	3mth	6mth	1yr	YTD	
(10.6)	8.1	8.1	(5.1)	(7.9)	

Major Shareholders

	%
U.S. RE Fund II Offshore Feeder 1	7.7
The Hampshire Generational Fund LLC	8.0
Golden Sun (China)	5.9
FY24 NAV/Share (US\$)	0.76
FY24 Net Debt/Share (US\$)	0.56

PRICE CHART



Source: Bloomberg

ANALYST(S)

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

- **Strip centres recovering after years of minimal construction.** The supply of new retail space has been limited over the past decade since the 2008-09 Global Financial Crisis and continues to be curbed by high construction costs. According to Green Street, strip centres have the least new supply coming on-stream over the next five years due to elevated construction costs and supply barriers, especially in dense affluent residential suburbs. According to CBRE, the availability of neighbourhood and community strip centres saw the largest drop of 0.5ppt yoy to a record low of 6.6% in 3Q23.

STOCK IMPACT

- **Hallmark of defensive strength.** UHU is exceptionally defensive in many ways: a) its strip centres benefit from a demographic shift towards suburban locations, b) its strip centres cater to necessity spending, which accounted for 62% of its base rental income, c) its strip centres have a long WALE of 7.1 years and lease expiries in 2024 accounted for only 2.2% of base rental income, and d) there is no refinancing requirement until Nov 26.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

VALUATION/RECOMMENDATION

- **Attractive, resilient and irresistible yield spread.** UHU trades at 2024 distribution yield of 9.7%, which represents an attractive yield spread of 5.6% above the 10-year US government bond yield of 4.1%. It trades at P/NAV of 0.64x.
- **Maintain BUY.** Our target price of US\$0.68 is based on the dividend discount model (cost of equity: 8.5%, terminal growth: 1.5%).

SHARE PRICE CATALYST

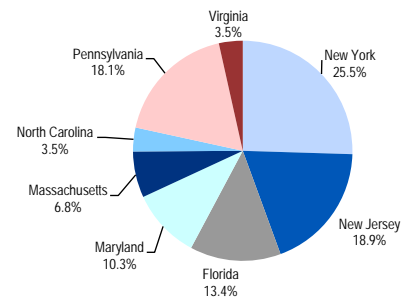
- Stability of spending on necessity products and essential services.
- Yield-accretive acquisitions of grocery and necessity retail properties.

KEY OPERATING METRICS – UHU

		4Q22	1Q23	2Q23	3Q23	4Q23	yoy	qoq*
DPU	US cents	2.97	n.a.	2.65	n.a.	2.14	-27.9%	-19.2%
Occupancy	%	96.9%	97.0%	97.9%	97.2%	97.4%	0.5ppt	0.2ppt
Aggregate Leverage	%	41.8%	42.6%	42.0%	41.7%	41.7%	-0.1ppt	0ppt
Average Cost of Debt	%	2.77%	3.02%	3.57%	4.04%	4.32%	1.6ppt	0.3ppt
Weighted Average Lease Expiry (WALE)	year	7.5	7.4	7.2	7.2	7.1	-0.4yrs	-0.1yrs
Weighted Debt Maturity	year	4.0	3.7	3.5	3.2	3.0	-1yrs	-0.2yrs
% Borrowing in Fixed Rates	%	81.4	80.2	80.9	80.9	78.8	-3.2%	-2.6%

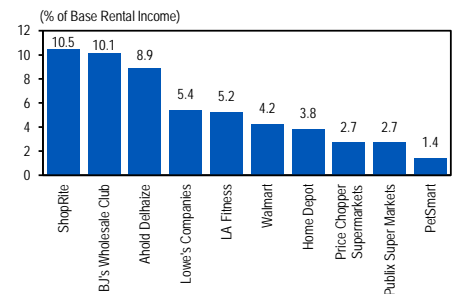
Source: UHU, UOB Kay Hian * hoh % chg for DPU

PORTFOLIO VALUATION BY STATE (DEC 23)



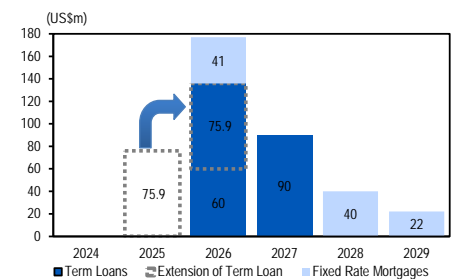
Source: UHU

TOP-10 TENANTS – GROCERY & NECESSITY RETAIL



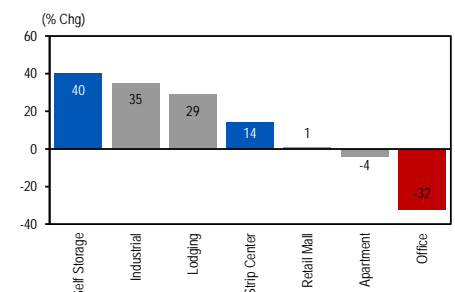
Source: UHU

DEBT MATURITY PROFILE (EXTENSION OPTION EXERCISED)



Source: UHU

GREEN STREET COMMERCIAL PROPERTY PRICE INDEX (JUN 20 TO DEC 23)



Source: UHU

PROFIT & LOSS

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
Net turnover	72.2	74.9	75.9	76.9
EBITDA	45.1	46.1	48.4	49.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	45.1	46.1	48.4	49.1
Total other non-operating income	0.0	0.0	0.0	0.0
Net interest income/(expense)	(16.1)	(16.7)	(17.0)	(17.2)
Pre-tax profit	39.8	29.5	31.5	31.9
Tax	(6.8)	(3.0)	(3.2)	(3.4)
Minorities	(0.2)	(0.2)	(0.2)	(0.2)
Net profit	32.8	26.3	28.1	28.3
Net profit (adj.)	22.0	26.3	28.1	28.3

CASH FLOW

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
Operating	45.6	40.0	43.9	44.4
Pre-tax profit	29.0	29.5	31.5	31.9
Deprec. & amort.	(0.4)	(1.8)	(1.8)	(1.8)
Working capital changes	11.2	(0.8)	0.1	0.1
Non-cash items	1.7	4.9	3.3	3.3
Other operating cashflows	4.2	8.2	10.8	10.8
Investing	(9.3)	(5.0)	(5.0)	(5.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(18.7)	(5.0)	(5.0)	(5.0)
Proceeds from sale of assets	9.4	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	(34.7)	(33.9)	(38.2)	(38.7)
Distribution to unitholders	(28.0)	(25.7)	(27.5)	(27.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	7.7	7.2	5.0	5.0
Others/interest paid	(14.5)	(15.5)	(15.8)	(16.0)
Net cash inflow (outflow)	1.7	1.1	0.7	0.7
Beginning cash & cash equivalent	12.2	13.9	15.0	15.6
Ending cash & cash equivalent	13.9	15.0	15.6	16.3

BALANCE SHEET

Year to 31 Dec (US\$m)	2023	2024F	2025F	2026F
Fixed assets	785.0	790.0	795.0	800.0
Other LT assets	0.0	0.0	0.0	0.0
Cash/ST investment	13.9	15.0	15.6	16.3
Other current assets	9.9	9.0	9.1	9.2
Total assets	808.8	814.0	819.8	825.5
ST debt	21.1	21.1	21.1	21.1
Other current liabilities	13.3	11.3	11.4	11.6
LT debt	302.8	310.0	315.0	320.0
Other LT liabilities	37.4	37.4	37.4	37.4
Shareholders' equity	431.6	432.2	432.8	433.4
Minority interest	2.5	2.0	2.0	2.0
Total liabilities & equity	808.8	814.0	819.8	825.5

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	62.4	61.6	63.8	63.9
Pre-tax margin	55.1	39.3	41.4	41.5
Net margin	45.4	35.1	37.0	36.8
ROA	4.1	3.2	3.4	3.4
ROE	7.7	6.1	6.5	6.5
Growth				
Turnover	7.1	3.7	1.4	1.4
EBITDA	10.6	2.3	5.0	1.4
Pre-tax profit	37.2	(26.0)	6.8	1.4
Net profit	29.0	(20.0)	6.9	0.9
Net profit (adj.)	(12.8)	19.5	6.9	0.9
EPU	(13.4)	19.5	6.9	0.9
Leverage				
Debt to total capital	42.7	43.3	43.6	43.9
Debt to equity	75.1	76.6	77.7	78.7
Net debt/(cash) to equity	71.8	73.2	74.1	75.0
Interest cover (x)	2.8	2.8	2.9	2.9

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