

COMPANY UPDATE

Mapletree Commercial Trust (MCT SP)

Flexibility From New Cash-Only Option

The new cash-only consideration of S\$1.1949 provides flexibility to MNACT unitholders should they decide to cash out. The pro forma financial impact remains unchanged, and sponsor Mapletree Investments has provided a backstop for the preferential offering. The reopening of the Hong Kong economy is a welcome relief. The merger, if completed, is accretive to pro forma 1HFY22 DPU by 7.5% (scrip-only) to 8.9% (scrip-and-cash and cash-only). Maintain BUY. Target price: S\$2.48.

WHAT'S NEW

- **MNACT unitholders have flexibility to choose one out of three options.** Besides the existing scrip-only consideration and cash-and-scrip consideration, Mapletree Commercial Trust (MCT) has added a new cash-only consideration. The scheme consideration remains unchanged at S\$1.1949 for all three options, which is equivalent to Mapletree North Asia Trust's (MNACT) NAV per unit.
- **Preferential offering fully backed by sponsor.** Additional cash required for the cash-only consideration of up to S\$2.2b will be funded by a preferential offering at an issue price of S\$2.0039 per MCT unit. Sponsor Mapletree Investments has demonstrated commitment and support for the merger. It has provided an undertaking to subscribe for the preferential offering up to the maximum of S\$2.2b and has agreed to a voluntary six-month lock-up of its unitholding. Mapletree Investments' stake in the merged entity, Mapletree Pan Asia Commercial Trust (MPACT) will range from 34.8% to 57.1% depending on: a) the mix of scheme consideration chosen by MNACT unitholders, and b) MCT unitholders' pro rata participation in MCT's preferential offering.

PREFERENTIAL OFFERING BY MCT

Amount and Use of Proceeds	Up to S\$2.2b to finance additional cash required for the alternative Cash-Only Consideration
Issue Price Under the Preferential Offering	S\$2.0039 (based on the same Scheme Issue Price, which is equivalent to the 1-day VWAP per MCT unit as at 27 Dec 21)
Maximum Preferential Offering Units	Up to 1,094m
Application Period for MCT Unitholders	Expected to take place by end-July 2022, after the election period for Scheme Consideration by MNACT unitholders

Source: MCT

- **Same pro forma financial impact.** The pro forma financial effects of the new cash-only consideration are the same as the cash-and-scrip consideration. To recap, the merger is accretive to MCT's 1HFY22 DPU and NAV per unit by 8.9% and 6.5% respectively. Pro forma aggregate leverage as of Sep 21 is estimated at 39.2%.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	483	479	488	535	543
EBITDA	341	337	338	377	382
Operating profit	340	337	337	376	382
Net profit (rep./act.)	546	69	306	309	315
Net profit (adj.)	263	261	264	309	315
EPU (S\$ cent)	8.5	7.9	8.0	9.3	9.4
DPU (S\$ cent)	8.0	9.5	9.2	10.0	10.2
PE (x)	22.5	24.1	23.9	20.5	20.1
P/B (x)	1.1	1.1	1.1	1.1	1.1
DPU Yld (%)	4.2	5.0	4.8	5.3	5.3
Net margin (%)	113.2	14.3	62.7	57.9	58.1
Net debt/(cash) to equity (%)	50.8	49.7	51.2	51.6	52.1
Interest cover (x)	4.4	4.4	4.6	5.6	5.7
ROE (%)	10.5	1.2	5.4	5.4	5.6
Consensus DPU (S\$ cent)	n.a.	n.a.	9.3	9.8	10.1
UOBKH/Consensus (x)	-	-	0.99	1.02	1.01

Source: Mapletree Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.90
Target Price	S\$2.48
Upside	+30.5%

COMPANY DESCRIPTION

MCT is a Singapore-focused REIT that invests in income-producing real estate used for office and/or retail purposes. Its diversified portfolio comprises VivoCity, MBC, mTower, Mapletree Anson and MLHF.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MCT SP
Shares issued (m):	3,323.5
Market cap (S\$m):	6,314.7
Market cap (US\$m):	4,657.9
3-mth avg daily t'over (US\$m):	27.5

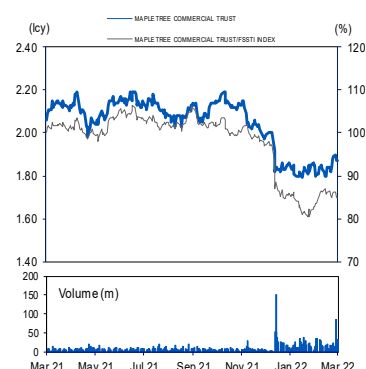
Price Performance (%)

52-week high/low			S\$2.19/S\$1.79	
1mth	3mth	6mth	1yr	YTD
2.2	(4.0)	(10.8)	(8.7)	(5.0)

Major Shareholders

Temasek Hldgs	33.9
FY22 NAV/Share (S\$)	1.71
FY22 Net Debt/Share (S\$)	0.88

PRICE CHART

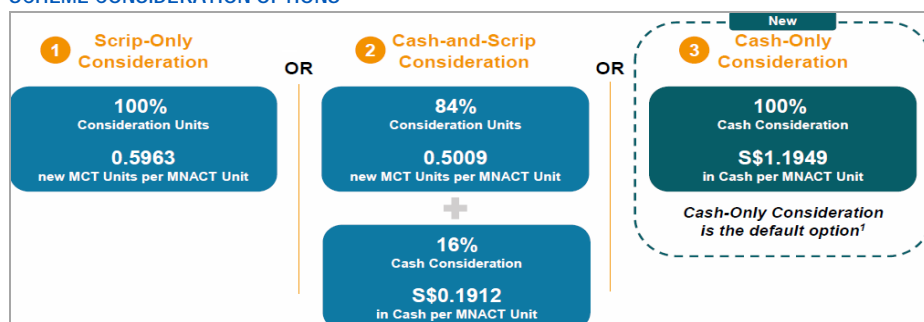


Source: Bloomberg

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SCHEME CONSIDERATION OPTIONS



Source: MCT

PRO FORMA FINANCIAL EFFECTS

	Before Merger	1 Assuming all MNACT Unitholders elect to receive the Scrip-Only Consideration	2 Assuming all MNACT Unitholders except MIPL Entities elect to receive the Cash-and-Scrip Consideration	3 Assuming all MNACT Unitholders except MIPL Entities elect to receive the Cash-Only Consideration
MCT DPU (1H FY21/22) (Singapore cents)	4.39	4.72	4.78	4.78
MCT DPU accretion (1H FY21/22) (%)	Not applicable	7.5%	8.9%	8.9%
MCT NAV per Unit (ex-distribution) (30 September 2021) (S\$)	1.68	1.80	1.79	1.79
MCT NAV accretion (30 September 2021) (%)	Not applicable	7.1%	6.5%	6.5%
Aggregate leverage (30 September 2021) (%)	33.7%	38.0%	39.2%	39.2%

Source: MCT

STOCK IMPACT

- Growing through the 4R strategy.** The merged entity MPACT will adopt a 4R asset and capital management strategy to drive future growth: a) Recharge - maximise operational performance, b) Reconstitute – optimise portfolio through divestment, asset enhancement and redevelopment, c) Refocus – pursue accretive acquisitions and developments and d) Resilience - capital management strategy to maintain a strong balance sheet, maximise liquidity and minimise risk. MPACT will focus on acquisitions of office and business park assets in key gateway cities such as South Korea, Singapore and Mainland China.
- Revision to management fee structure.** MCT and MNACT have proposed a new management fee structure with base fee at 10% of distributable income and performance fee at 25% of yoy change in DPU. The new management fee structure will better align MPACT to unitholders' interest. The proposed new fee structure costs 0.39% of total assets, which is less expensive compared to 0.41% based on the current fee structure.
- Hong Kong has relaxed social distancing measures.** Gyms, beauty salons, massage parlours, religious places, libraries and sport venues will reopen with groups capped at four people starting 21 Apr 22. Face-to-face classes at kindergartens, primary schools and international schools will resume on 19 Apr 22. Operating hours for restaurants to offer dine-in service will be extended from 6pm to 10pm. The current onerous 14-day quarantine would be lowered to seven days conditional upon negative rapid test results on both the 6th and 7th days of hotel quarantine. The authorities plan to designate more hotels as quarantine facilities to cope with the anticipated increase in volume of travellers. The ban on flights from nine countries, namely Australia, Canada, France, India, Nepal, Pakistan, the Philippines, UK and the US, will be lifted from 1 Apr 22.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast for MCT.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.48 is based on DDM (cost of equity: 5.75%, terminal growth: 1.8%).

SHARE PRICE CATALYST

- DPU and NAV accretion from merger with MNACT.
- MCT has five properties located in the HarbourFront area, which accounted for 91.5% of its AUM in aggregate. It will benefit immensely from the development of the Greater Southern Waterfront (GSW) and rejuvenation of Sentosa Island and Pulau Brani.

"4R" ASSET AND CAPITAL MANAGEMENT STRATEGY



Source: MCT

FOCUS ON ACCRETIVE ACQUISITIONS OF OFFICE AND BUSINESS PARK ASSETS



Source: MCT

NEW MANAGEMENT FEE STRUCTURE

Annualised Based On 1H FY22	MCT (Based On MCT's Current Fee Structure)	MPACT (Assuming MPACT Continues To Apply MCT's Current Fee Structure)	Pro Forma Basis (Based On The Proposed New Fee Structure)
Management Fee Estimates			
Manager's Base Fee (\$m)	22.3	43.4	53.8-55.1
Manager's Performance Fee (\$m)	15.2	28.4	13.2-14.6
Total (\$m)	37.4	71.8	68.2-68.3
Total Assets (\$m)	8,905	17,367	17,367
Total Management Fee As % Of Total Assets	0.42%	0.41%	0.39%

Source: MCT

UPDATED INDICATIVE TIMELINE

MCT's EGM	By end-May 22
MNACT's EGM and Trust Scheme Meeting	By end-May 22
Court Hearing for Court Approval of Trust Scheme	By end-Jun 22
Election Period (Scheme Consideration) for MNACT Unitholders	By end-Jul 22
Application Period (Preferential Offering) for MCT Unitholders	By end-Jul 22
Effective Date of Trust Scheme	By end-Aug 22
Settlement of Scheme Consideration and Delisting of MNACT	By end-Aug 22

Source: MCT

PROFIT & LOSS

Year to 31 Mar (\$m)	2021	2022F	2023F	2024F
Net turnover	479.0	488.2	534.9	542.7
EBITDA	337.4	337.5	376.5	382.4
Deprec. & amort.	0.1	0.1	0.1	0.1
EBIT	337.3	337.4	376.4	382.3
Net interest income/(expense)	(76.1)	(73.1)	(67.0)	(67.0)
Pre-tax profit	68.6	306.3	309.4	315.3
Tax	(0.0)	(0.0)	0.0	0.0
Net profit	68.6	306.3	309.4	315.3
Net profit (adj.)	261.2	264.3	309.4	315.3

BALANCE SHEET

Year to 31 Mar (\$m)	2021	2022F	2023F	2024F
Fixed assets	8,737.3	8,784.2	8,784.2	8,784.2
Other LT assets	6.8	7.2	7.2	7.2
Cash/ST investment	192.5	78.1	70.7	49.4
Other current assets	14.0	12.9	13.6	13.7
Total assets	8,950.6	8,882.4	8,875.7	8,854.5
ST debt	70.0	263.7	263.7	263.7
Other current liabilities	116.4	111.4	122.1	123.8
LT debt	2,959.6	2,731.4	2,731.4	2,731.4
Other LT liabilities	95.6	79.1	85.7	86.8
Shareholders' equity	5,709.0	5,696.7	5,672.7	5,648.7
Total liabilities & equity	8,950.6	8,882.4	8,875.7	8,854.5

CASH FLOW

Year to 31 Mar (\$m)	2021	2022F	2023F	2024F
Operating	355.4	318.9	419.5	411.4
Pre-tax profit	68.6	306.3	309.4	315.3
Deprec. & amort.	0.1	0.1	0.1	0.1
Working capital changes	6.5	(4.6)	10.0	1.6
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	280.2	17.1	99.9	94.4
Investing	(13.7)	(20.0)	(20.0)	(20.0)
Capex (growth)	(14.4)	(20.0)	(20.0)	(20.0)
Capex (maintenance)	0.0	0.0	0.0	0.0
Others	0.7	0.0	0.0	0.0
Financing	(215.0)	(413.4)	(406.8)	(412.7)
Distribution to unitholders	(168.3)	(305.4)	(333.4)	(339.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	29.7	(34.5)	0.0	0.0
Others/interest paid	(76.4)	(73.5)	(73.4)	(73.4)
Net cash inflow (outflow)	126.7	(114.5)	(7.4)	(21.3)
Beginning cash & cash equivalent	65.9	192.5	78.1	70.7
Ending cash & cash equivalent	192.5	78.1	70.7	49.4

KEY METRICS

Year to 31 Mar (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	70.4	69.1	70.4	70.5
Pre-tax margin	14.3	62.7	57.9	58.1
Net margin	14.3	62.7	57.9	58.1
ROA	0.8	3.4	3.5	3.6
ROE	1.2	5.4	5.4	5.6
Growth				
Turnover	(0.8)	1.9	9.6	1.5
EBITDA	(0.9)	0.0	11.6	1.6
Pre-tax profit	(87.4)	346.4	1.0	1.9
Net profit	(87.4)	346.4	1.0	1.9
Net profit (adj.)	(0.5)	1.2	17.1	1.9
EPU	(6.8)	0.9	16.8	1.6
Leverage				
Debt to total capital	34.7	34.5	34.6	34.7
Debt to equity	53.1	52.6	52.8	53.0
Net debt/(cash) to equity	49.7	51.2	51.6	52.1
Interest cover (x)	4.4	4.6	5.6	5.7

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