

### COMPANY RESULTS

## CapitaLand Integrated Commercial Trust (CICT SP)

1Q22: Triple-Play On Reopening In Singapore

**Negative rent reversion for CICT's portfolio of retail malls narrowed from -7.3% in 4Q21 to -4.1% in 1Q22. CICT achieved strong positive rent reversion of 9.3% for its office properties, driven by Capital Tower and The Atrium@Orchard, while occupancy improved 1.9ppt qoq to 92.3%. CICT's downtown malls, suburban malls and office buildings benefit from the reopening. CICT provides distribution yields of 5.0% for 2022 and 5.3% for 2023. Maintain BUY. Target price: S\$2.46.**

### 1Q22 RESULTS

Year to 31 Dec (S\$m)	1Q22	yoy % chg	Remarks
<u>Gross Revenue</u>	339.7	+1.5	Merger of CMT and CCT was completed on 21 Oct 20.
Retail	142.6	+0.3	
Office	97.6	+1.6	Office properties contributed since 21 Oct 20.
Integrated Developments	99.5	+3.1	Comprises Raffles City Singapore (RCS), Funan, Plaza Singapura and The Atrium.
<u>Net Property Income (NPI)</u>	248.3	+0.5	
Retail	101.8	+0.6	Granted less rental waiver of S\$8.4m to retail tenants in 2H21.
Office	74.0	0.0	
Integrated Developments	72.5	+0.8	Interest in RCS increased from 60% to 100% post-merger.

Source: CICT, UOB Kay Hian

### RESULTS

- **CapitaLand Integrated Commercial Trust (CICT)** provided a business update for 1Q22.
- **Suburban malls remained resilient.** Retail occupancy was stable at 96.6% in 1Q22. Tenant sales at suburban malls are already 1% above pre-COVID-19 levels, while tenant sales at downtown malls remain 14% below pre-COVID-19 levels. Management estimated negative rental reversion at 4.1% in 1Q22, based on incoming first year rents vs outgoing final year rents (suburban malls: -0.2%, downtown malls: -7.1%). Food & Beverage accounted for 36% of new retail offerings and expansion, followed by Beauty & Health at 22% and Fashion at 14%. Retention rate was healthy at 91% (2021: 82.3%).
- **Transitory vacancies progressively backfilled.** CICT achieved strong positive rent reversion of 9.3% driven by Capital Tower and The Atrium@Orchard. Retention rate was high at 95.5% (2021: 69.3%). Occupancy for Singapore office improved 1.9ppt qoq to 92.3% in 1Q22. We understand that CICT is in advanced negotiations to finalise a lease agreement with ByteDance to backfill 120,000sf of office space at Capital Tower vacated by JPMorgan. If successfully closed, the new tenant would bring occupancy at Capital Tower back to 94%. Occupancy at Six Battery Road improved 8.7ppt qoq to 88.4%, while occupancy at Raffles City Tower also improved 2.7ppt qoq to 96.1%. Committed occupancy at Capital Spring has improved 7ppt qoq to 98.5%.

### KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	745	1,305	1,355	1,422	1,444
EBITDA	446	862	905	949	964
Operating profit	446	862	905	949	964
Net profit (rep./fact.)	350	1,083	748	722	724
Net profit (adj.)	313	813	686	722	724
EPU (S\$ cents)	7.1	12.4	10.3	10.8	10.8
DPU (S\$ cents)	8.7	10.4	11.2	11.9	12.2
PE (x)	31.3	18.1	21.7	20.6	20.6
P/B (x)	1.1	1.1	1.1	1.1	1.1
DPU Yld (%)	3.9	4.6	5.0	5.3	5.4
Net margin (%)	46.9	83.0	55.2	50.7	50.1
Net debt/(cash) to equity (%)	65.5	57.2	70.0	70.7	71.8
Interest cover (x)	3.8	5.1	4.4	4.2	4.0
ROE (%)	3.4	8.1	5.5	5.3	5.3
Consensus DPU (S\$ cent)	n.a.	n.a.	11.4	12.0	12.3
UOBKH/Consensus (x)	-	-	0.98	0.99	0.99

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

### BUY

(Maintained)

Share Price	S\$2.24
Target Price	S\$2.46
Upside	+9.8%
(Previous TP)	S\$2.50)

### 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):	6,625.3
Market cap (S\$m):	14,840.6
Market cap (US\$m):	10,719.1
3-mth avg daily t'over (US\$m):	39.6

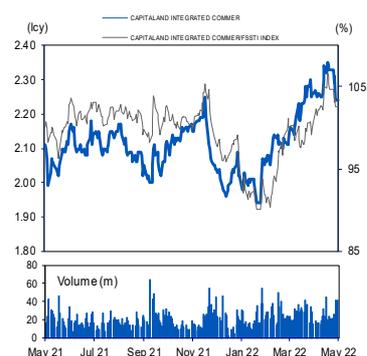
### Price Performance (%)

52-week high/low	S\$2.35/S\$1.94			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(4.9)	(10.2)	(9.8)	(10.2)	(4.9)

### Major Shareholders

Temasek Hldgs	23.7
FY22 NAV/Share (S\$)	2.06
FY22 Net Debt/Share (S\$)	1.44

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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• **Resilient balance sheet to weather uncertainties in external environment.** Aggregate leverage increased 1.9ppt qoq to 39.1% in 1Q22. Aggregate leverage would further increase to 41% after completing the acquisition of 101-103 Miller Street and Greenwood Plaza (50% stake) and CapitaSky (formerly known as 79 Robinson Road) (70% stake). Average term to maturity is 3.9 years and 85% of its borrowings are hedged to fixed interest rates. It has facilities in place to refinance debt due in 2022.

### STOCK IMPACT

- **Triple-play on reopening in Singapore.** Safe distancing between individuals is no longer required, whether indoors or outdoors. The cap on group size of 10 persons for dining in at F&B establishments has been lifted since 26 Apr 22. All employees are allowed back to their workplaces since 26 Apr 22, compared with the previous limit of 75%. The substantial easing will improve shopper traffic and tenant sales at CICT's downtown and suburban malls and increase physical occupancy at its office buildings.
- **AEI for RCS.** CICT will commence asset enhancement initiatives (AEI) for the three floors of retail space at Raffles City Singapore (RCS) previously occupied by Robinsons. It plans to reconfigure 111,000sf of retail space into smaller units for specialty retail and large format stores. New offerings include Calvin Klein, Acqua di Parma, Elemis and House of Wei. 50% of the retail space is pre-committed. Management targets completion by 4Q22.
- **AEI for CQ.** The JV between CapitaLand (CICT's sponsor) and City Developments to redevelop Liang Court will rejuvenate the surrounding area around Clarke Quay (CQ). CICT could enhance CQ by changing the trade mix to complement Liang Court. Management could reposition CQ to serve the residential population within the vicinity and introduce more tenants that operate during the day (a departure from the current orientation towards night-life).
- **Negative impact from higher cost of electricity.** CICT has already experienced a 90% increase in cost of electricity during 1Q22. Management expects cost of electricity to increase by another 10% in subsequent quarters.

### EARNINGS REVISION/RISK

- We trim our 2023 and 2024 DPU forecasts by 1% due to higher cost of electricity.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.46 is based on the Dividend Discount Model (cost of equity: 6.0%, terminal growth: 1.2%).

### SHARE PRICE CATALYST

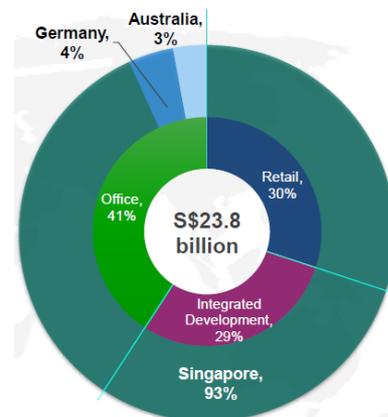
- Recovery in shopper traffic and tenant sales at retail malls and improvement in physical occupancy at office buildings with the easing of social distancing measures.
- Asset enhancement and redevelopment of existing properties.

### KEY OPERATING METRICS – CICT

CICT Key Metrics	1Q21	2Q21	3Q21	4Q21	1Q22	yoy % change	qoq % change*
Revenue (S\$m)	334.8	310.9	329.0	330.4	339.7	1.5%	2.8%
NPI (S\$m)	247.1	225.1	242.6	236.3	248.3	0.5%	5.1%
DPU (S cents)	n.a.	5.18	n.a.	5.22	n.a.	n.a.	n.a.
NAV per unit (S\$)	n.a.	2.05	n.a.	2.07	n.a.	n.a.	n.a.
Occupancy	97.1%	94.9%	94.4%	93.9%	93.6%	-3.5ppt	-0.3ppt
Aggregate Leverage	40.8%	40.5%	40.9%	37.2%	39.1%	-1.7ppt	1.9ppt
All-in-Financing Cost	2.4%	2.4%	2.3%	2.3%	2.3%	-0.1ppt	0ppt
WALE by Gross Rental	3.1	3.1	3.0	3.2	3.7	0.6yrs	0.5yrs
Debt Maturity	4.4	4.3	4.1	3.9	3.9	-0.5yrs	0yrs
Rental Reversions (Retail)	n.a.	-4.5%	-8.0%	-7.3%	-4.1%	-4.1ppt	3.2ppt

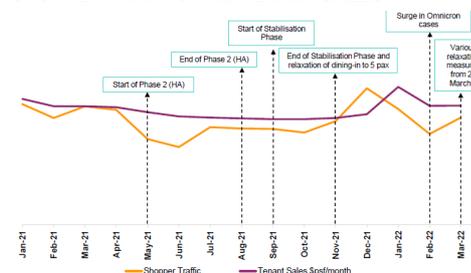
Source: CICT, UOB Kay Hian \* hoh % chg for DPU and NAV per unit.

### AUM BY GEOGRAPHY AND ASSET TYPE



Source: CICT

### SHOPPER TRAFFIC AND TENANT SALES



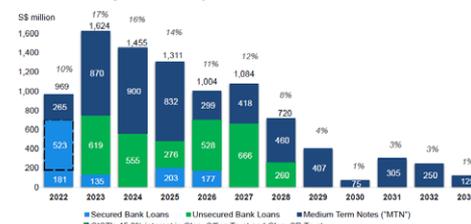
Source: CICT

### SUBURBAN MALLS RECORDED SECOND CONSECUTIVE QUARTER OF POSITIVE RENT REVERSION

	Renewed and New Retail Leases	In 1Q 2022			Rental Reversion for 1Q 2022	
	No. of Renewals / New Leases	Retention Rate (%)	Area (sq ft)	Percentage of Retail Portfolio (%)	Incoming Year 1 Rents	Average Incoming Rents
Suburban Malls	90	89.7	100,354	2.3	▼0.2%	▲1.0%
Downtown Malls	95	91.6	200,036	4.7	▼7.1%	▼3.1%
CICT Retail Portfolio	185	91.0	300,390	7.0	▼4.1%	▼1.3%

Source: CICT

### DEBT MATURITY PROFILE



Source: CICT

### PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
<b>Net turnover</b>	<b>1,305.1</b>	<b>1,355.1</b>	<b>1,422.2</b>	<b>1,444.5</b>
EBITDA	862.3	904.7	948.5	964.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	862.3	904.7	948.5	964.1
Associate contributions	140.2	10.0	20.9	20.9
Net interest income/(expense)	(170.7)	(207.9)	(226.9)	(240.1)
<b>Pre-tax profit</b>	<b>1,102.3</b>	<b>768.8</b>	<b>742.5</b>	<b>744.9</b>
Tax	(19.2)	(20.0)	(20.0)	(20.0)
Minorities	0.0	(0.8)	(0.8)	(0.8)
<b>Net profit</b>	<b>1,083.1</b>	<b>748.0</b>	<b>721.7</b>	<b>724.1</b>
Net profit (adj.)	812.6	686.0	721.7	724.1

### CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
<b>Operating</b>	<b>827.5</b>	<b>(106.8)</b>	<b>932.1</b>	<b>902.1</b>
Pre-tax profit	831.8	706.8	742.5	744.9
Associates	(140.2)	(10.0)	(20.9)	(20.9)
Working capital changes	238.8	(356.0)	4.6	1.5
Other operating cashflows	(102.9)	(447.6)	205.9	176.6
<b>Investing</b>	<b>256.4</b>	<b>(689.3)</b>	<b>52.0</b>	<b>52.0</b>
Capex (growth)	0.0	(1,081.3)	0.0	0.0
Capex (maintenance)	(93.6)	(30.0)	(30.0)	(30.0)
Proceeds from sale of assets	292.7	340.0	0.0	0.0
Others	57.2	82.0	82.0	82.0
<b>Financing</b>	<b>(902.4)</b>	<b>649.6</b>	<b>(954.3)</b>	<b>(935.6)</b>
Distribution to unitholders	(448.0)	(740.8)	(788.4)	(787.5)
Issue of shares	250.0	0.0	0.0	0.0
Proceeds from borrowings	(480.2)	1,617.4	80.0	100.0
Others/interest paid	(224.2)	(226.9)	(245.9)	(248.1)
<b>Net cash inflow (outflow)</b>	<b>181.5</b>	<b>(146.4)</b>	<b>29.9</b>	<b>18.5</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>183.6</b>	<b>365.1</b>	<b>218.7</b>	<b>248.6</b>
<b>Ending cash &amp; cash equivalent</b>	<b>365.1</b>	<b>218.7</b>	<b>248.6</b>	<b>267.1</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	21,437.2	23,122.5	23,122.5	23,122.5
Other LT assets	542.6	542.6	542.6	542.6
Cash/ST investment	365.1	218.7	248.6	267.1
Other current assets	396.9	158.7	166.1	168.5
<b>Total assets</b>	<b>22,741.9</b>	<b>24,042.6</b>	<b>24,079.8</b>	<b>24,100.7</b>
ST debt	594.6	594.6	594.6	594.6
Other current liabilities	665.2	327.9	343.6	348.8
LT debt	7,582.6	9,200.0	9,280.0	9,380.0
Other LT liabilities	203.6	217.1	225.4	228.1
Shareholders' equity	13,667.8	13,674.9	13,608.2	13,521.2
Minority interest	27.9	27.9	27.9	27.9
<b>Total liabilities &amp; equity</b>	<b>22,741.9</b>	<b>24,042.6</b>	<b>24,079.8</b>	<b>24,100.7</b>

### KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
<b>Profitability</b>				
EBITDA margin	66.1	66.8	66.7	66.7
Pre-tax margin	84.5	56.7	52.2	51.6
Net margin	83.0	55.2	50.7	50.1
ROA	4.8	3.2	3.0	3.0
ROE	8.1	5.5	5.3	5.3
<b>Growth</b>				
Turnover	75.1	3.8	5.0	1.6
EBITDA	93.3	4.9	4.8	1.6
Pre-tax profit	215.2	(30.3)	(3.4)	0.3
Net profit	209.6	(30.9)	(3.5)	0.3
Net profit (adj.)	159.2	(15.6)	5.2	0.3
EPU	73.5	(16.6)	4.9	(0.0)
<b>Leverage</b>				
Debt to total capital	37.4	41.7	42.0	42.4
Debt to equity	59.8	71.6	72.6	73.8
Net debt/(cash) to equity	57.2	70.0	70.7	71.8
Interest cover (x)	5.1	4.4	4.2	4.0

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