

COMPANY UPDATE

Mapletree Pan Asia Commercial Trust (MPACT SP)

Stronger Together – Gaining Scale And Diversification

The merger with MNACT was executed and completed at an opportune timing. Festival Walk benefitted from the easing of restrictions in Apr 22 and recovery would be further strengthened if Hong Kong ends hotel quarantine requirements as targeted by Nov 22. Gateway Plaza has weathered the localised lockdown in Beijing and registered positive rental reversion of 11% in 1QFY23. MPACT has doubled in size and become more geographically diversified. Maintain BUY. Target price: S\$2.22.

WHAT'S NEW

- Mapletree Commercial Trust (MCT) benefits from the twin engines of recovery in Singapore and North Asia (Hong Kong and Mainland China):
- Festival Walk benefits from easing of restrictions.** Hong Kong has gradually recovered from disruptions caused by the Omicron variant. Face-to-face classes at kindergartens and schools resumed and restaurants reopened with group size capped at four starting Apr 22. Social distancing measures further eased with the doubling of diners to eight per table since May 22. Negative rental reversion at Festival Walk moderated to -7% in 1QFY23 after two consecutive years of steep declines (FY21: -21% and FY22: -27%). Rental relief granted was almost non-existent at S\$0.2m in 1QFY23 (FY21: S\$49.8m and FY22: S\$14.7m). Consumer spending was stimulated by the first round of consumption vouchers disbursed in April and the second round in August.
- Potential boost from reopening of borders.** Hong Kong has cut the quarantine period for inbound travellers from seven to three days with effect from 12 Aug 22. During the subsequent four-day surveillance period, visitors could take public transport, shop and also work although entry to high-risk places is prohibited. Chief Executive John Lee sees the resumption of regular flow of visitors between Hong Kong and Mainland China on a quarantine-free basis as one of his top priorities. Mainland visitors accounted for about 25% of retail sales in Hong Kong before the COVID-19 pandemic. Hong Kong targets to end hotel quarantine by Nov 22, after the 20th Communist Party Congress but ahead of HKIB Banking Conference and Hong Kong Sevens rugby tournament.
- Gateway Plaza and Sandhill Plaza registered positive rental reversion.** Beijing weathered localised lockdown in 1QFY23, which reduced the number of employees returning to work in their offices. Nevertheless, Gateway Plaza achieved positive rental reversion of 11% due to two new tenants from the technology and financial services sectors. Occupancy was stable at 92.8%. One new office building was completed in the Lufthansa sub-market in 1Q22 and supply-side pressure is expected to ease in 2H22. Gateway Plaza will benefit as the Chinese government plans to develop Beijing into a global wealth management centre.

KEY FINANCIALS

Year to 31 Mar (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	479	499	821	978	995
EBITDA	337	350	570	687	701
Operating profit	337	348	570	687	701
Net profit (rep./act.)	69	347	429	519	531
Net profit (adj.)	261	276	429	519	531
EPU (\$ cent)	7.9	8.3	9.0	9.9	10.1
DPU (\$ cent)	9.5	9.5	10.6	11.0	11.2
PE (x)	23.5	22.3	20.5	18.7	18.4
P/B (x)	1.1	1.1	1.0	1.0	1.0
DPU Yld (%)	5.1	5.2	5.7	6.0	6.1
Net margin (%)	14.3	69.5	52.2	53.0	53.4
Net debt/(cash) to equity (%)	49.7	49.7	74.3	75.4	76.6
Interest cover (x)	4.4	4.8	4.1	4.1	4.1
ROE (%)	1.2	6.0	5.6	5.5	5.6
Consensus DPU (\$ cent)	n.a.	n.a.	9.8	10.2	10.5
UOBKH/Consensus (x)	-	-	1.08	1.08	1.07

Source: Mapletree Pan Asia Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.85
Target Price	S\$2.22
Upside	+20.0%

COMPANY DESCRIPTION

MPACT invests in income-producing real estate used for office and/or retail purposes in key gateway markets of Asia. It debuted on SGX Main Board on 27 Apr 11 and completed the merger with Mapletree North Asia Commercial Trust on 21 Jul 22.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MPACT SP
Shares issued (m):	5,233.4
Market cap (\$m):	9,681.9
Market cap (US\$m):	6,892.0
3-mth avg daily t'over (US\$m):	13.5

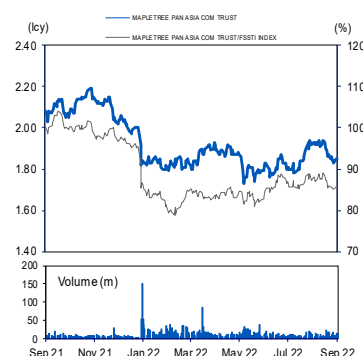
Price Performance (%)

52-week high/low		S\$2.19/S\$1.73		
1mth	3mth	6mth	1yr	YTD
(3.6)	3.4	1.1	(11.1)	(7.5)

Major Shareholders

	%
Temasek Hlds	56.0
FY23 NAV/Share (\$)	1.82
FY23 Net Debt/Share (\$)	1.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jonathan Koh, CFA

+65 6590 6620

jonathankoh@uobkayhian.com

- Shanghai recovering from lockdown.** Shanghai has emerged from the city-wide lockdown that lasted from end-March to end-May. Leasing activities have recovered in June. Sandhill Plaza achieved positive rental reversion of 3% in 1QFY23. Occupancy remains high at 98.9%. According to CBRE, rents for business parks in Shanghai increased 3.2% yoy to Rmb138.70/sqm/month in 2Q22. Sandhill Plaza is located at Zhangjiang Science City in Shanghai's Pudong New Area, which is also known as Silicon Valley of the East. The Zhangjiang sub-market will see a large volume of new business park space in 2H22. Fortunately, Sandhill Plaza accounted for only 3.1% of MPACT's portfolio valuation post-merger.
- Singapore: Reopening propels recovery.** Safe distancing between individuals, both indoors or outdoors, and the cap on group size of 10 persons for dining in at F&B establishments was lifted since 26 Apr 22. VivoCity benefitted as tenant sales surged 53% yoy and 11% qoq and exceeded pre-pandemic levels in 1QFY23. Committed occupancy remains high at 98.5% as of Jun 22. NPI from VivoCity have rebounded 45% yoy and 19% qoq due to the easing of COVID-19-related restrictions and lower rental rebates. VivoCity benefits from the return of tourists starting 2H22 as they typically account for 20-30% of shopper traffic prior to the COVID-19 pandemic.
- NPI from MBC also grew 5.9% yoy and 4.9% qoq in 1QFY23.** Committed occupancy was 98.2%. Management sees leasing interest from pharmaceutical and biomedical companies expanding their R&D and laboratory facilities within City Fringe. It also observed less downsizing by banks during lease renewal. Google, the largest tenant at MBC accounting for 25% of gross rental income, has completed construction of its third data centre and is becoming more entrenched in Singapore.

STOCK IMPACT

- Gaining scale and diversification.** The trust scheme for merger of MCT and MNACT to establish MPACT became effective on 21 Jul 22 and MNACT was delisted on 3 Aug 22. MPACT holds a diversified portfolio of 18 high quality commercial properties across Singapore, Hong Kong, Mainland China, Japan and South Korea. AUM has expanded by 94% to a combined S\$17.1b.

EARNINGS REVISION/RISK

- We kept our DPU forecast relatively unchanged.**

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.22 is based on DDM (cost of equity: 7.0%, terminal growth: 2.2%).

SHARE PRICE CATALYST

- DPU accretion of 8.9% from merger with MNACT.** Potential expansion in China and South Korea.
- MPACT has five properties located in the HarbourFront area, which accounted for 48.4% of its portfolio valuation in aggregate.** It will benefit from the development of the Greater Southern Waterfront and rejuvenation of Sentosa Island and Pulau Brani.

1QFY23 BUSINESS UPDATE – MCT

Year to 31 Mar (\$m)	1QFY23	yoy % chg	Remarks
Gross Revenue	135.0	+8.8	Revenue from VivoCity and MBC grew 35% and 5% yoy respectively. Rental rebates were negligible.
Net Property Income	106.7	+10.1	Occupancy at MBC improved 0.9ppt qoq to 98.2%.
Portfolio Occupancy	97.2%	+0.2ppt qoq	
Aggregate Leverage	33.8%	+0.3ppt qoq	
Weighted All-in Financing Cost	2.53%	+13bp qoq	Completed refinancing for term loan of S\$264m.
% Borrowing on Fixed Rates	78.6%	-1.7ppt qoq	
WALE by GRI	2.8 years	+0.2 years qoq	Well-staggered lease expiry profile.

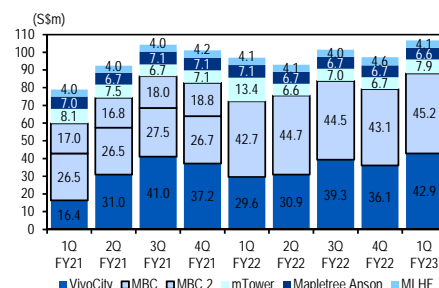
Source: MCT, UOB Kay Hian

1QFY23 BUSINESS UPDATE – MNACT

Year to 31 Mar (\$m)	1QFY23	yoy % chg	Remarks
Gross Revenue	104.7	+1.6	Full-quarter contribution from HP Japan HQ Building.
Net Property Income	81.5	+4.1	Less rental rebates of S\$0.2m at Festival Walk.
Portfolio Occupancy	97.2%	-0.2ppt qoq	Occupancy at Gateway Plaza eased 1.5ppt qoq to 92.8%.
Aggregate Leverage	42.1%	+0.6ppt qoq	
Weighted All-in Financing Cost	1.84%	+4bp qoq	58% of debt denominated in HK\$ and 34% in Japanese Yen.
% Borrowing on Fixed Rates	79%	+1ppt qoq	
WALE by GRI	2.2 years	-0.2 years qoq	36.7% of leases at Pinnacle Gangnam expiring in FY24.

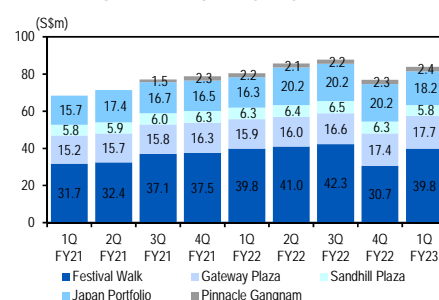
Source: MNACT, UOB Kay Hian

NPI BY PROPERTY – SINGAPORE



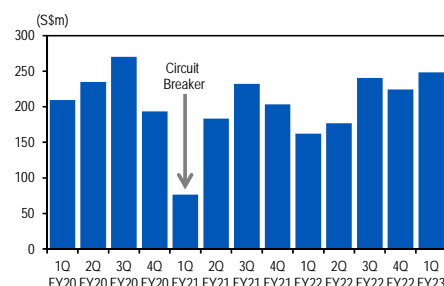
Source: MCT

NPI BY PROPERTY – OVERSEAS



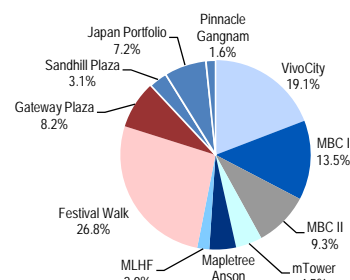
Source: MCT

TENANT SALES AT VIVOCITY



Source: MCT

PORTFOLIO VALUATION BY PROPERTY (MAR 22)



Source: MCT

PROFIT & LOSS

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Net turnover	499.5	821.0	977.9	994.7
EBITDA	349.6	569.6	687.0	700.6
Deprec. & amort.	1.1	0.1	0.1	0.1
EBIT	348.5	569.5	686.9	700.5
Net interest income/(expense)	(72.3)	(140.6)	(168.3)	(169.8)
Pre-tax profit	347.0	428.9	518.6	530.7
Tax	(0.0)	0.0	0.0	0.0
Net profit	347.0	428.9	518.6	530.7
Net profit (adj.)	276.2	428.9	518.6	530.7

BALANCE SHEET

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Fixed assets	8,821.2	16,820.0	16,820.0	16,820.0
Other LT assets	30.0	208.3	208.3	208.3
Cash/ST investment	124.2	135.1	145.6	145.6
Other current assets	9.2	40.0	40.3	40.5
Total assets	8,984.5	17,203.5	17,214.2	17,214.5
ST debt	460.5	460.5	460.5	460.5
Other current liabilities	107.5	287.2	291.9	296.1
LT debt	2,543.8	6,750.0	6,820.0	6,880.0
Other LT liabilities	79.2	176.8	180.2	183.2
Shareholders' equity	5,793.5	9,529.0	9,461.6	9,394.6
Total liabilities & equity	8,984.5	17,203.5	17,214.2	17,214.5

CASH FLOW

Year to 31 Mar (\$m)	2022	2023F	2024F	2025F
Operating	363.6	(3,543.8)	709.7	722.6
Pre-tax profit	347.0	424.5	512.0	524.1
Deprec. & amort.	1.1	0.1	0.1	0.1
Working capital changes	(0.8)	127.2	4.4	4.0
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	16.2	(4,095.6)	193.1	194.4
Investing	(18.8)	(20.0)	(20.0)	(20.0)
Capex (growth)	(18.7)	(20.0)	(20.0)	(20.0)
Capex (maintenance)	0.0	0.0	0.0	0.0
Others	(0.2)	0.0	0.0	0.0
Financing	(413.2)	3,574.7	(679.2)	(702.6)
Distribution to unitholders	(322.2)	(489.3)	(579.3)	(591.1)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(18.9)	4,206.2	70.0	60.0
Others/interest paid	(72.0)	(142.2)	(169.9)	(171.4)
Net cash inflow (outflow)	(68.4)	11.0	10.5	0.0
Beginning cash & cash equivalent	192.5	124.2	135.1	145.6
Ending cash & cash equivalent	124.2	135.1	145.6	145.6

KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	70.0	69.4	70.3	70.4
Pre-tax margin	69.5	52.2	53.0	53.4
Net margin	69.5	52.2	53.0	53.4
ROA	3.9	3.3	3.0	3.1
ROE	6.0	5.6	5.5	5.6
Growth				
Turnover	4.3	64.4	19.1	1.7
EBITDA	3.6	62.9	20.6	2.0
Pre-tax profit	405.8	23.6	20.9	2.3
Net profit	405.8	23.6	20.9	2.3
Net profit (adj.)	5.8	55.3	20.9	2.3
EPU	5.4	8.5	9.6	2.0
Leverage				
Debt to total capital	34.1	43.1	43.5	43.9
Debt to equity	51.9	75.7	76.9	78.1
Net debt/(cash) to equity	49.7	74.3	75.4	76.6
Interest cover (x)	4.8	4.1	4.1	4.1

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 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W