

COMPANY RESULTS

CapitaLand Ascendas REIT (CLAR SP)

2H22: Maintains Positive Rental Reversions And Higher Occupancies

CLAR achieved positive average rent reversion of 8.0% for 4Q22 (Singapore: 6.0% and US: 39%). Portfolio occupancy reached a 10-year high of 94.6%. CLAR has a resilient balance sheet with average debt maturity at 3.7 years. Management plans to scale up in new economy assets, including logistics properties. CLAR provides resilient 2023 distribution yield of 5.1% (MINT: 5.6%). Maintain BUY with a target price of S\$3.30.

2H22 RESULTS

Year to 31 Dec (S\$m)	2H22	yoy % chg	Remarks
Gross Revenue	686.1	+7.1	Growth driven by acquisitions in Australia and the US.
Net Property Income (NPI)	491.8	+3.5	Portfolio occupancy reaching a 10-year high of 94.6%.
Distributable Income	333.2	+4.5	Higher utilities expenses in Singapore.
DPU (S cents)	7.925	+4.3	

Source: CLAR, UOB Kay Hian

RESULTS

- CapitaLand Ascendas REIT (CLAR) reported 2H22 DPU of 7.925 S cents (+4.3% yoy), which is in line with our expectations.
- Organic growth augmented by acquisitions.** Gross revenue grew 7.1% yoy due to redevelopment of premium industrial property UBIX at Ubi Road 4 completed in Jan 22, acquisition of 11 logistics properties in Kansas City (S\$208m) in Nov 21 and seven logistics properties in Chicago (S\$133m) in Jun 22, acquisition of two newly-developed logistics properties, 500 Green Road (S\$69m) in Brisbane and 7 Kiora Crescent (S\$21m) in Sydney in Feb 22 and better performance from existing properties. NPI margin narrowed 2.5ppt yoy to 71.7% due to increase in utilities expenses in Singapore.
- Occupancy on upward trend.** Portfolio occupancy reaching a 10-year high of 94.6%. On a sequential basis, properties in Singapore and Australia improved a similar 0.3ppt qoq to 92.1% and 99.4% respectively. CLAR achieved positive average rent reversion of 8.0% for leases that were renewed during 4Q22 (Singapore: 6.0%, US: 39%).
- NAV per unit stable at S\$2.37.** Same-store portfolio valuation was stable. Its portfolio in Singapore, Australia and the US achieved higher valuations. This was offset by lower valuations for data centres in the UK/Europe, which accounted for only 4.4% of total assets.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,227	1,353	1,372	1,383	1,393
EBITDA	820	868	860	867	874
Operating profit	820	868	860	867	874
Net profit (rep./act.)	933	760	625	631	637
Net profit (adj.)	578	596	625	631	637
EPS (S\$ cent)	13.8	14.2	14.9	15.0	15.1
PE (x)	21.8	21.1	20.2	20.0	19.9
P/B (x)	1.3	1.3	1.3	1.3	1.3
EV/EBITDA (x)	22.6	21.4	21.6	21.4	21.2
Dividend yield (%)	5.1	5.3	5.1	5.2	5.2
Net margin (%)	76.1	56.2	45.5	45.7	45.7
Net debt/(cash) to equity (%)	55.6	57.7	58.0	58.5	59.1
Interest cover (x)	5.2	4.6	4.1	4.1	4.1
ROE (%)	9.6	7.4	6.1	6.2	6.2
Consensus net profit (S\$ cent)	-	-	16	16	18
UOBKH/Consensus (x)	-	-	39.80	38.97	36.37

Source: CapitaLand Ascendas REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$3.00
Target Price	S\$3.30
Upside	+10.0%
(Previous TP)	S\$3.27

COMPANY DESCRIPTION

CLAR invests in business & science park, life sciences, suburban office, high-specification industrial, data centres, light industrial and logistics & distribution properties. Its portfolio stands at S\$16.4b as of Dec 22, comprising 228 properties located across Singapore, Australia, Europe, UK and the US.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLAR SP
Shares issued (m):	4,204.0
Market cap (S\$m):	12,612.0
Market cap (US\$m):	9,619.4
3-mth avg daily t'over (US\$m):	19.9

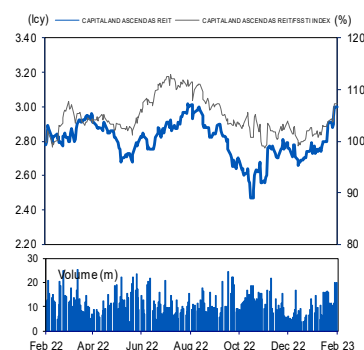
Price Performance (%)

52-week high/low				S\$3.02/S\$2.47
1mth	3mth	6mth	1yr	YTD
9.5	17.2	0.3	8.3	9.5

Major Shareholders

	%
Temasek Hldgs	20.3
FY23 NAV/Share (S\$)	2.36
FY23 Net Debt/Share (S\$)	1.41

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Prudent capital management.** Healthy leverage of 36.3% and a high proportion of fixed rate debt of 79% helps CLAR to weather higher interest rates. Its weighted average all-in cost of borrowing increased from 2.2% in 2021 to 2.5% in 2022. Average debt maturity is healthy at 3.7 years.

STOCK IMPACT

- **Plotting steady growth.** Management guided for mid-single digit rental reversion for 2023. New acquisitions will also contribute to growth in 2023:

- CLAR has completed the acquisition of Philips APAC Center at 622 Lorong 1 Toa Payoh for S\$104.8m on 11 Jan 23. The six-storey building comprises a laboratory, R&D, logistics and ancillary office space. It provides NPI yield of 6.8% post-transaction costs.
- CLAR has completed the acquisition of cold storage logistics facility at 1 Buroh Lane (within Jalan Buroh Food Zone) for S\$191.9m on 2 Feb 23. The property is occupied by five established tenants, including a supermarket chain and a distributor of fruits and vegetables. It provides NPI yield of 6.9% post-transaction costs.
- MQX4, CLAR's new suburban office in Sydney, is expected to be completed in 2Q23, which will expand its footprint within the Macquarie Park innovation district.

- **CLAR plans to expand in new economy assets.** Many companies are building up their logistics capabilities to build resilience in their supply chains. The logistics industry is facing a structural change from just-in-time to just-in-case in supply chain management. CLAR focuses on last mile infill location near population centres where supply is limited. Digitalisation of the economy will also lead to greater demand for business space and data centres.

- **Investing in last mile logistics space in Kansas City.** CLAR has completed the acquisition of 11 logistics properties located in Kansas City for S\$207.8m (US\$156.0m) in Nov 21. The 11 logistics properties are located on freehold land and infill locations across Kansas City. It has 200,000sqm of last mile logistics space offering convenient access to the mid-western population centres. The portfolio provides NPI yield of 5.1% for the first year.

- **Investing in last mile logistics space in Chicago.** CLAR has completed the acquisition of seven logistics properties located at infill sub-markets across Chicago for S\$133.2m (US\$99m) in Jun 22. The portfolio has long WALE of five years and is 100% occupied by 12 tenants. Chicago is an important rail hub and interchange for freight traffic between major railways. The portfolio provides NPI yield of 5.3% for the first year.

EARNINGS REVISION/RISK

- We maintain our 2023 DPU forecast.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$3.30 is based on DDM (cost of equity: 7.0%, terminal growth: 2.5%).

SHARE PRICE CATALYST

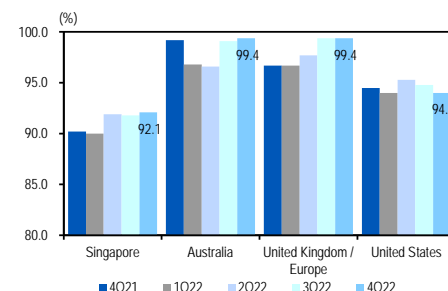
- Resiliency and growth from Business Parks, Life Sciences, Logistics and Data Centre segments.
- Contributions from development projects and AELs.

KEY OPERATING METRICS – CLAR

Year to 31 Dec	4Q21	1Q22	2Q22	3Q22	4Q22	yoy % Chg	qoq % Chg*
DPU (S cents)	7.60	n.a.	7.87	n.a.	7.93	4.3%	0.7%
Occupancy	93.2%	92.6%	94.0%	94.5%	94.6%	1.4ppt	0.1ppt
Aggregate Leverage	35.9%	36.8%	36.7%	37.3%	36.6%	0.7ppt	-0.7ppt
Average Cost of Debt	2.2%	2.10%	2.10%	2.20%	2.50%	0.3ppt	0.3ppt
% Borrowing in Fixed Rates	79.4%	79.1%	80.0%	78.0%	79.4%	0ppt	1.4ppt
WALE by NLA (years)	3.8	3.7	3.7	3.9	3.8	0yrs	-0.1yrs
Weighted Debt Maturity (years)	3.5	3.5	3.9	3.5	3.7	0.2yrs	0.2yrs
Rental Reversion	4.5%	4.6%	13.2%	5.4%	8.0%	5.1ppt	2.6ppt

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

PORTFOLIO OCCUPANCY



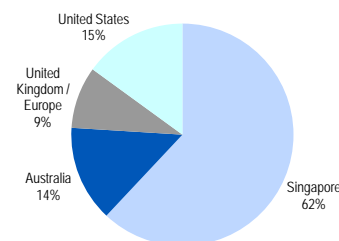
Source: CLAR

POSITIVE RENTAL REVERSIONS

% Change in Renewal Rates	1Q22	2Q22	3Q22	4Q22
SINGAPORE	3.9%	13.0%	4.4%	6.0%
- Business Space & Life Science	3.6%	19.9%	3.2%	1.8%
- Logistics	1.5%	7.5%	14.6%	13.1%
- Industrial & Data Centres	4.4%	4.4%	2.8%	3.7%
AUSTRALIA	16.5%	15.2%	0.2%	n.a.
- Business Space	16.5%	n.a.	0.2%	n.a.
- Logistics	n.a.	15.2%	n.a.	n.a.
UNITED STATES	14.0%	15.3%	48.0%	39.0%
- Business Space	12.2%	15.3%	10.6%	30.9%
- Logistics	26.4%	n.a.	60.0%	42.6%
UNITED KINGDOM / EUROPE	n.a.	11.7%	n.a.	n.a.
- Data Centres	n.a.	11.7%	n.a.	n.a.
- Logistics	n.a.	n.a.	n.a.	n.a.
Total Portfolio	4.6%	13.2%	5.4%	8.0%

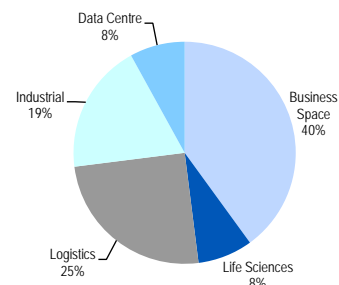
Source: CLAR

PORTFOLIO VALUATION BY GEOGRAPHICAL REGION



Source: CLAR

PORTFOLIO VALUATION BY ASSET CLASS



Source: CLAR

PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,352.7	1,372.0	1,382.8	1,393.0
EBITDA	868.0	859.9	867.3	874.2
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	868.0	859.9	867.3	874.2
Associate contributions	0.3	0.0	0.0	0.0
Net interest income/(expense)	(187.8)	(208.9)	(209.7)	(211.2)
Pre-tax profit	844.8	651.0	657.6	663.1
Tax	(84.4)	(26.0)	(26.3)	(26.5)
Minorities	0.0	0.0	0.0	0.0
Net profit	760.4	624.9	631.3	636.5
Net profit (adj.)	596.2	624.9	631.3	636.5

BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	16,577.6	16,904.3	16,934.3	16,964.3
Other LT assets	935.8	904.1	877.5	850.8
Cash/ST investment	217.0	227.4	233.9	240.0
Other current assets	145.5	167.7	168.6	169.5
Total assets	17,876.0	18,203.6	18,214.3	18,224.6
ST debt	833.0	833.0	833.0	833.0
Other current liabilities	468.9	697.4	702.5	707.3
LT debt	5,309.0	5,332.3	5,382.3	5,432.3
Other LT liabilities	998.5	1,095.2	1,071.8	1,048.3
Shareholders' equity	10,266.6	10,245.7	10,224.7	10,203.7
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	17,876.0	18,203.6	18,214.3	18,224.6

CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Operating	1,017.9	1,171.5	851.3	854.8
Pre-tax profit	680.6	651.0	657.6	663.1
Working capital changes	(35.7)	328.3	6.1	5.8
Non-cash items	16.9	16.7	16.8	16.8
Other operating cashflows	356.2	175.5	170.9	169.1
Investing	(374.3)	(356.7)	(60.0)	(59.0)
Capex (growth)	(204.9)	(296.7)	0.0	1.0
Capex (maintenance)	(125.9)	(60.0)	(60.0)	(60.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(43.5)	0.0	0.0	0.0
Financing	(782.4)	(804.4)	(784.9)	(789.6)
Distribution to unitholders	(649.7)	(645.9)	(652.2)	(657.6)
Issue of shares	0.0	0.0	0.0	1.0
Proceeds from borrowings	16.5	23.3	50.0	50.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(149.2)	(181.9)	(182.6)	(183.1)
Net cash inflow (outflow)	(138.7)	10.4	6.5	6.1
Beginning cash & cash equivalent	368.5	217.0	227.4	233.9
Changes due to forex impact	(12.8)	0.0	0.0	1.0
Ending cash & cash equivalent	217.0	227.4	233.9	241.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	64.2	62.7	62.7	62.8
Pre-tax margin	62.5	47.4	47.6	47.6
Net margin	56.2	45.5	45.7	45.7
ROA	4.3	3.5	3.5	3.5
ROE	7.4	6.1	6.2	6.2
Growth				
Turnover	10.3	1.4	0.8	0.7
EBITDA	5.9	(0.9)	0.9	0.8
Pre-tax profit	(17.1)	(22.9)	1.0	0.8
Net profit	(18.5)	(17.8)	1.0	0.8
Net profit (adj.)	3.2	4.8	1.0	0.8
EPU	3.0	4.7	0.9	0.7
Leverage				
Debt to total capital	37.4	37.6	37.8	38.0
Debt to equity	59.8	60.2	60.8	61.4
Net debt/(cash) to equity	57.7	58.0	58.5	59.1
Interest cover (x)	4.6	4.1	4.1	4.1

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