

## COMPANY RESULTS

### CapitaLand Integrated Commercial Trust (CICT SP)

2H22: Stability From Diversification

CICT saw recovery for retail properties where occupancy has improved 1.5ppt qoq to 98.3% in 4Q22. We expect rental reversion for suburban malls to have hit 4% in 4Q22. Its downtown malls will benefit from workers returning to offices and recovery of visitor arrivals driven by the reopening in China in 2023. Occupancy for its office properties was stable at 96.2% in 4Q22. CICT provides 2023 distribution yield of 5.4%. NAV per unit held steady at S\$2.12. Maintain BUY. Target price: S\$2.29.

#### 2H22 RESULTS

Year to 31 Dec (\$m)	2H22	yoy % chg	Remarks
<b>Gross Revenue</b>			
Retail	280.4	+3.9	Gradual recovery in tandem with reopening.
Office	248.7	+27.3	Progressively backfilled vacant spaces.
Integrated Developments	225.0	+16.0	Comprises Raffles City Singapore, Funan, Plaza Singapura and The Atrium.
Total	754.1	+14.4	
<b>Net Property Income (NPI)</b>			
Retail	197.1	+4.2	
Office	183.5	+23.8	Benefitting from recovery in occupancies and positive rental reversion.
Integrated Developments	161.1	+13.9	Interest in RCS increased from 60% to 100% after the merger.
Total	541.7	+13.1	

Source: CICT, UOB Kay Hian

#### RESULTS

- CapitaLand Integrated Commercial Trust (CICT) reported 2H22 DPU of 5.36 S cents (+2.7% yoy), which is in line with our expectations.
- Steady growth.** Gross revenue and NPI grew 14.4% and 13.1% yoy respectively in 2H22 due to contributions from the newly-acquired 70% interest in CapitaSky, the Australia portfolio and higher rental income from most of the Singapore assets. This was partially offset by higher operating expenses and the divestment of JCube. NPI margin was maintained at 71.8% despite higher cost of utilities.
- Retail: Downtown malls leading the recovery.** CICT achieved positive rental reversion of 1.2% for retail based on average incoming vs average outgoing in 2022 (suburban: 2.3%, downtown: 0.2%). We expect rental reversion for suburban malls to have hit 4% in 4Q22. Tenant sales surged 22.5% in 2022 (suburban: 11.5%, downtown: 38.1%) and have surpassed pre-pandemic levels. Occupancy improved 1.5ppt qoq to 98.3% in 4Q22. Tenant retention rate for its retail properties in Singapore was 89.1%.
- Office: Stable occupancies.** CICT achieved positive rental reversion of 7.6% for office in 2022. Leasing enquiries were mainly from banking, insurance & financial services, IT, media & telecommunications and energy & commodities. Average office rent was S\$10.53psf. Occupancy was stable at 96.2% in 4Q22. Tenant retention rate for its office properties in Singapore was 81.1%.

#### KEY FINANCIALS

Year to 31 Dec (\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,305	1,442	1,500	1,498	1,513
EBITDA	862	947	977	975	986
Operating profit	862	947	977	975	986
Net profit (rep./act.)	1,083	723	698	692	700
Net profit (adj.)	813	756	698	692	700
EPU (S\$ cents)	12.4	11.4	10.5	10.4	10.5
DPU (S\$ cents)	10.4	10.6	11.5	11.4	11.4
PE (x)	17.0	18.5	20.1	20.3	20.2
P/B (x)	1.0	1.0	1.0	1.0	1.0
DPU Yld (%)	4.9	5.0	5.4	5.4	5.4
Net margin (%)	83.0	50.2	46.5	46.2	46.3
Net debt/(cash) to equity (%)	57.2	66.3	67.0	67.8	68.6
Interest cover (x)	5.1	4.2	3.5	3.4	3.4
ROE (%)	8.1	5.2	5.0	5.0	5.0
Consensus DPU (S\$ cent)	n.a.	n.a.	11.3	11.4	11.8
UOBKH/Consensus (x)	-	-	1.02	1.00	0.97

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

## BUY

(Maintained)

Share Price	S\$2.11
Target Price	S\$2.29
Upside	+8.5%

#### 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):	6,635.1
Market cap (S\$m):	14,000.1
Market cap (US\$m):	10,578.1
3-mth avg daily t'over (US\$m):	31.7

#### Price Performance (%)

52-week high/low S\$2.35/S\$1.74

1mth	3mth	6mth	1yr	YTD
5.5	13.4	(0.9)	1.9	3.4

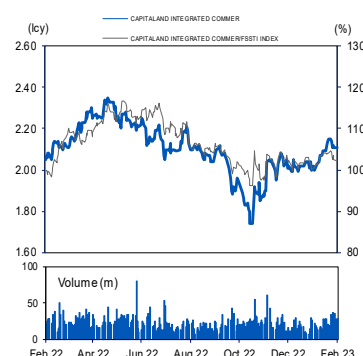
#### Major Shareholders

	%
Temasek Hldgs	23.7

FY23 NAV/Share (S\$) 2.10

FY23 Net Debt/Share (S\$) 1.41

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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- **Integrated developments: Providing resiliency and diversification.** Committed occupancy for integrated developments was stable at 97.1% in 4Q22. CICT benefits from higher room rates at the two hotels at Raffles City Singapore and serviced residence at CapitaSpring, which provide an uplift from variable rents.
- **NAV per unit held steady at S\$2.12.** Portfolio valuation increased by 8.9% yoy to S\$24.2b due to the addition of new acquisitions. On a same-store basis excluding divestment and newly-acquired properties, property values were stable in 2022.
- **Capital management.** Aggregate leverage eased slightly by 0.8ppt qoq to 40.4%. Average cost of debt increased 0.2ppt qoq to 2.7%. 81% of its borrowings were hedged to fixed interest rates. Average term to maturity was 3.9 years.

### STOCK IMPACT

- **Retail market has picked up.** Leasing activities continued to pick up in 4Q22 with demand driven by food & beverage operators, supermarkets and jewellery & watches stores. Island-wide prime retail rents increased for the second consecutive quarter by 1.6% yoy and 0.8% qoq to S\$25.15psf in 4Q22. Landlords are raising rents due to improved shopper traffic and tenant sales. CICT's downtown malls will benefit from more workers returning to offices and recovery of visitor arrivals driven by the reopening in China. CBRE expects retail rents to continue recovering in 2023.
- **Office market has decelerated.** Gross effective rents for Grade A core CBD increased 8.3% yoy and 0.9% qoq to S\$11.70psf in 4Q22. Demand for office space from large occupiers has slowed. Some technology companies have retrenched workers and have offered their space on an early surrender basis. On a more positive note, newly-completed Guoco Midtown has achieved high pre-commitment of 80%. CBRE expects Grade A core CBD rents to increase marginally by 1% in 2023.
- **Revamped and enhanced Clark Quay to reopen by 3Q23.** CICT will invest S\$62m to transform Clarke Quay from a nightlife attraction to a day-and-night destination. The property would be repositioned to serve the residential population within the vicinity. It will recreate a new warehouse facade and refresh dining areas and community spaces. It will also improve the infrastructure for thermal comfort. Pre-commitment and leases in advanced negotiations accounted for 80% of NLA. The asset enhancement is on track for completion by 3Q23.

### EARNINGS REVISION/RISK

- We maintained our 2023 DPU forecast.

### VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.29 is based on Dividend Discount Model (cost of equity: 7.0%, terminal growth: 2.2%).

### SHARE PRICE CATALYST

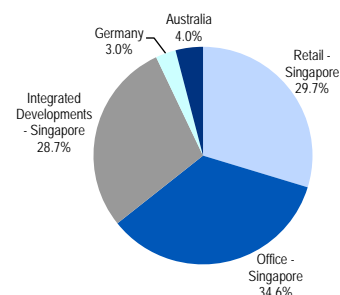
- Steady recovery in shopper traffic and tenant sales at CICT's retail malls driven by workers returning to offices and recovery in visitor arrivals.
- Asset enhancement and redevelopment of existing properties.

### KEY OPERATING METRICS

CICT Key Metrics	1Q22	2Q22	3Q22	4Q22	yoy % change	qoq % change*
Revenue (\$m)	339.7	347.9	374.1	380.0	15.0%	1.6%
NPI (\$m)	248.3	253.3	273.3	268.4	13.6%	-1.8%
DPU (S cents)	n.a.	5.22	n.a.	5.36	2.7%	2.7%
NAV per unit (\$)	n.a.	2.11	n.a.	2.12	2.6%	0.4%
Occupancy	93.6%	93.8%	95.1%	95.8%	1.9ppt	0.7ppt
Aggregate Leverage	39.1%	40.6%	41.2%	40.4%	3.2ppt	-0.8ppt
All-in-Financing Cost	2.30%	2.40%	2.50%	2.70%	0.4ppt	0.2ppt
% Borrowing in Fixed Rates	85.0%	81.0%	80.0%	81.0%	-7.0ppt	1ppt
WALE by Gross Rental	3.7	3.8	3.8	3.7	0.5yrs	-0.1yrs
Debt Maturity	3.9	4.4	4.1	3.9	0yrs	-0.2yrs

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

### AUM BY GEOGRAPHY AND ASSET TYPE



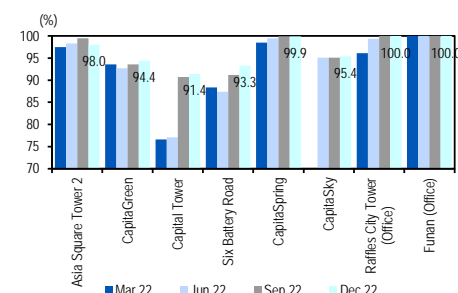
Source: CICT

### RENTAL REVERSION FOR RETAIL PORTFOLIO (2022)

2022	Incoming Year 1 Rents vs Outgoing Final Rents	Average Incoming Rents vs Average Outgoing Rents
Suburban Malls	0.7%	2.3%
Downtown Malls	-3.5%	0.2%
CICT Retail Portfolio	-1.5%	1.2%

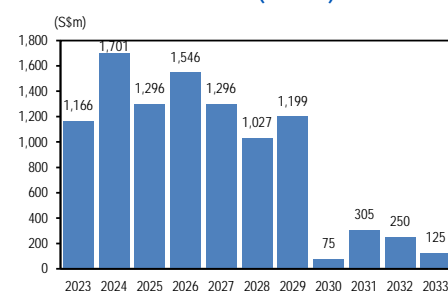
Source: CICT

### OCCUPANCY RATE FOR OFFICE BUILDINGS



Source: CICT

### DEBT MATURITY PROFILE (DEC 22)



Source: CICT

### PROFIT & LOSS

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Net turnover	1,441.7	1,499.6	1,497.9	1,513.2
EBITDA	946.8	976.6	975.4	985.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	946.8	976.6	975.4	985.9
Associate contributions	42.5	20.9	20.9	20.9
Net interest income/(expense)	(226.5)	(279.5)	(283.8)	(285.9)
<b>Pre-tax profit</b>	<b>730.0</b>	<b>717.9</b>	<b>712.5</b>	<b>720.8</b>
Tax	(4.1)	(20.0)	(20.0)	(20.0)
Minorities	(2.5)	(0.4)	(0.4)	(0.4)
<b>Net profit</b>	<b>723.4</b>	<b>697.5</b>	<b>692.1</b>	<b>700.4</b>
Net profit (adj.)	756.1	697.5	692.1	700.4

### BALANCE SHEET

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
Fixed assets	23,750.1	23,750.1	23,750.1	23,750.1
Other LT assets	587.6	587.6	587.6	587.6
Cash/ST investment	248.4	246.1	249.3	259.1
Other current assets	80.5	80.3	80.2	80.8
<b>Total assets</b>	<b>24,666.6</b>	<b>24,664.1</b>	<b>24,667.3</b>	<b>24,677.6</b>
ST debt	1,155.0	1,155.0	1,155.0	1,155.0
Other current liabilities	485.0	512.1	511.6	516.4
LT debt	8,430.2	8,480.0	8,550.0	8,620.0
Other LT liabilities	317.0	303.6	303.4	305.3
Shareholders' equity	14,073.4	14,007.3	13,941.3	13,874.9
Minority interest	205.9	205.9	205.9	205.9
<b>Total liabilities &amp; equity</b>	<b>24,666.6</b>	<b>24,664.1</b>	<b>24,667.3</b>	<b>24,677.6</b>

### CASH FLOW

Year to 31 Dec (\$m)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>1,023.5</b>	<b>955.0</b>	<b>939.2</b>	<b>947.9</b>
Pre-tax profit	762.8	717.9	712.5	720.8
Associates	(42.5)	(20.9)	(20.9)	(20.9)
Working capital changes	(151.9)	11.2	(0.3)	3.1
Other operating cashflows	455.1	246.8	247.9	244.8
<b>Investing</b>	<b>(926.0)</b>	<b>52.0</b>	<b>52.0</b>	<b>52.0</b>
Capex (growth)	(1,153.9)	0.0	0.0	0.0
Capex (maintenance)	(126.9)	(30.0)	(30.0)	(30.0)
Proceeds from sale of assets	331.1	0.0	0.0	0.0
Others	23.6	82.0	82.0	82.0
<b>Financing</b>	<b>(214.3)</b>	<b>(1,009.4)</b>	<b>(988.0)</b>	<b>(990.2)</b>
Distribution to unitholders	(684.8)	(763.6)	(758.2)	(758.2)
Issue of shares	(3,684.8)	0.0	0.0	0.0
Proceeds from borrowings	4,376.1	49.8	70.0	70.0
Others/interest paid	(220.8)	(295.5)	(299.8)	(301.9)
<b>Net cash inflow (outflow)</b>	<b>(116.7)</b>	<b>(2.3)</b>	<b>3.2</b>	<b>9.8</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>365.1</b>	<b>248.4</b>	<b>246.1</b>	<b>249.3</b>
<b>Ending cash &amp; cash equivalent</b>	<b>248.4</b>	<b>246.1</b>	<b>249.3</b>	<b>259.1</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	65.7	65.1	65.1	65.2
Pre-tax margin	50.6	47.9	47.6	47.6
Net margin	50.2	46.5	46.2	46.3
ROA	3.1	2.8	2.8	2.8
ROE	5.2	5.0	5.0	5.0
<b>Growth</b>				
Turnover	10.5	4.0	(0.1)	1.0
EBITDA	9.8	3.1	(0.1)	1.1
Pre-tax profit	(33.8)	(1.7)	(0.8)	1.2
Net profit	(33.2)	(3.6)	(0.8)	1.2
Net profit (adj.)	(6.9)	(7.8)	(0.8)	1.2
EPU	(8.1)	(8.0)	(1.1)	0.9
<b>Leverage</b>				
Debt to total capital	40.2	40.4	40.7	41.0
Debt to equity	68.1	68.8	69.6	70.5
Net debt/(cash) to equity	66.3	67.0	67.8	68.6
Interest cover (x)	4.2	3.5	3.4	3.4

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