

COMPANY UPDATE

CapitaLand Ascendas REIT (CLAR SP)

Growing Through Three Initiatives While Preserving Resiliency Of Balance Sheet

The Shugart at one-north district provides attractive NPI yield of 8.3% (7.8% post-transaction costs). The development of a six storey high-specification ramp-up logistics facility in Singapore provides attractive stabilised yield of 7.5-8.5%. Including the potential acquisition in Europe, the basket of three initiatives provides DPU accretion of 1.2-1.3%. CLAR provides resilient 2023 distribution yield of 5.3% (AAREIT: 7.5% and MINT: 5.8%). Maintain BUY with a target price of S\$3.30.

WHAT'S NEW

- **Acquiring Seagate's R&D facility.** CapitaLand Ascendas (CLAR) has proposed to acquire The Shugart, a high-specification R&D and business park property at 26 Ayer Rajah Crescent in the one-north district from Seagate Singapore, who will lease back the property for 10 years and has an option to extend for an additional 10 years. The lease has built-in rent escalation of 2.5% per year. CLAR will expand its AUM and NLA at one-north, a pre-eminent innovation and R&D district within Singapore, by 13% and 21% respectively. It is within a 10-minute walking distance from the one-north MRT station.
- **Acquisition in Singapore is DPU-accretive.** The proposed acquisition provides attractive NPI yield of 8.3% (7.8% post-transaction costs). It is accretive to pro forma 2022 DPU by 0.11 S cents or 0.7% assuming: a) funding structure of equity 60% and debt 40%, and b) REIT manager receives base fees 80% in cash and 20% in new units. The acquisition is expected to complete in 2Q23.
- **Potential acquisition in Europe.** CLAR has entered into an exclusivity agreement for the potential acquisition of an asset located in a key gateway city within Europe. CLAR intends to penetrate deeper into its existing asset classes (data centre or logistics warehouse) and footprint within Europe (likely to be the UK). Management expects the acquisition to provide an attractive NPI yield and be DPU accretive.
- **Creating value through redevelopment project in Singapore.** CLAR plans to redevelop an existing cargo lift warehouse in Singapore into a 50,000sqm six storey high-specification ramp-up logistics facility. The redevelopment is expected to more than double the existing plot ratio. The redevelopment, which is expected to cost S\$107m, is scheduled to commence in 4Q23 and complete by 4Q25. Management targets attractive stabilised yield of 7.5-8.5%.

KEY FINANCIALS

Year to 31 Dec (\$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
EPU (S\$ cent)	13.8	14.2	14.9	15.0	15.1
DPU (S\$ cent)	15.4	15.8	15.4	15.5	15.6
PE (x)	20.9	20.3	19.4	19.2	19.1
P/B (x)	1.2	1.2	1.2	1.2	1.2
DPU Yld (%)	5.4	5.5	5.3	5.4	5.4
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 DPU (S\$ cent)	n.a.	n.a.	15.8	16.0	16.8
UOBKH/Consensus (x)	-	-	0.97	0.97	0.93

Source: CapitaLand Ascendas REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.88
Target Price	S\$3.30
Upside	+14.6%

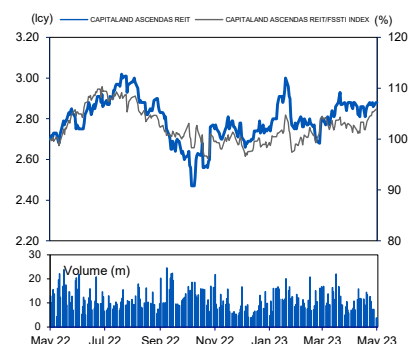
COMPANY DESCRIPTION

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):					12,107.5
Market cap (US\$m):					9,045.6
3-mth avg daily t'over (US\$m):					22.2
Price Performance (%)					
52-week high/low					S\$3.02/S\$2.47
1mth	3mth	6mth	1yr	YTD	
0.0	4.7	4.3	6.7	5.1	
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)

Jonathan Koh, CFA, MSc Econ
+65 6590 6620
jonathankoh@uobkayhian.com

STOCK IMPACT

- **Embarking on equity fund raising.** CLAR has launched a private placement of at least 162.5m new units (3.9% of total units outstanding) with issue price of between S\$2.713 and S\$2.769 to raise approximately S\$450m. The proposed Singapore acquisition and the potential Europe acquisition is expected to provide DPU accretion of 1.2-1.3%. Aggregate leverage is expected to improve from 38.2% to 37.2% (37.6% if we include the redevelopment project in Singapore).

SUMMARY OF PLANNED INITIATIVES

(\$m)	Proposed Acquisition of The Shugart in Singapore	Potential Acquisition in Europe	Redevelopment Project in Singapore	Debt Repayment	Total
Equity Fund Raising	139.5	129.9	64.4	108.5	442.3

Source: CLAR, UOB Kay Hian

- **Advance distribution.** The advance distribution for existing CLAR unitholders for the period 1 Jan 23 to 24 May 23 is estimated at 6.141 S cents per unit comprising:
 - a) Taxable income distribution of 4.780 S cents per unit;
 - b) Tax-exempt income distribution of 0.241 S cents per unit; and
 - c) Capital distribution of 1.120 S cents per unit.
- **Excluding the advance distribution,** the offer price of S\$2.713-2.769 represents a discount of 1.8-3.7% to the last closing price of S\$2.88.
- **New units priced at higher end of indicated range.** CLAR announced this morning that it has increased the size of its private placement from S\$450m to S\$500m and has placed 183.4m new units at an issue price of S\$2.727. The private placement was 3.1x covered.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast as details of the potential acquisition in Europe has yet to be finalised.

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 the business parks, life sciences, logistics and data centre segments.
- Contributions from development projects and asset enhancement initiatives.

KEY OPERATING METRICS – CLAR

Year to 31 Dec	1Q22	2Q22	3Q22	4Q22	1Q23	yoy % Chg	qoq % Chg*
DPU (S cents)	n.a.	7.87	n.a.	7.93	n.a.	n.a.	n.a.
Occupancy	92.6%	94.0%	94.5%	94.6%	94.4%	1.8ppt	-0.2ppt
Aggregate Leverage	36.8%	36.7%	37.3%	36.6%	38.2%	1.4ppt	1.6ppt
Average Cost of Debt	2.1%	2.1%	2.2%	2.5%	3.3%	1.2ppt	0.8ppt
% Borrowing in Fixed Rates	79.1%	80.0%	78.0%	79.4%	77.0%	-2.1ppt	-2.4ppt
WALE by NLA (years)	3.7	3.7	3.9	3.8	3.8	0.1yrs	0yrs
Weighted Debt Maturity (years)	3.5	3.9	3.5	3.7	3.2	-0.3yrs	-0.5yrs
Rental Reversion	4.6%	13.2%	5.4%	8.0%	11.1%	6.5ppt	3.1ppt

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

THE SHUGART



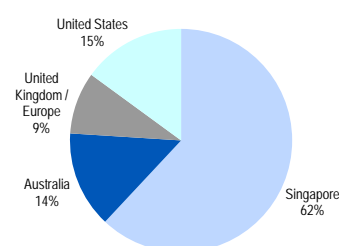
Source: CLAR

OVERVIEW – THE SHUGART

Address	26 Ayer Rajah Crescent, Singapore 139944
Description	Integrated 6-storey podium and 9-storey tower comprising mainly R&D facilities
Land Area	125,722sf
Land Lease	20 years remaining
Tenure	
GFA / NLA	440,028sf
Occupancy Rate	100% by Seagate Singapore
Lease Term	10 years with built-in rent escalation of 2.5% per year with the option to renew for an additional 10 years
Independent Valuations (as at 31 Mar 23)	JLL: S\$230m
Purchase Consideration	S\$218.2m (5.1% discount to independent valuation)
Initial NPI Yield	8.3% (7.8% post-transaction costs)
Estimated Completion	2Q23

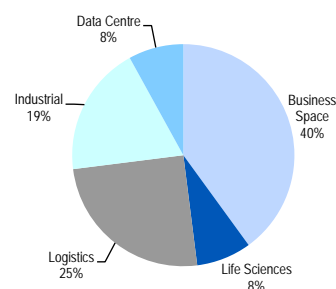
Source: CLAR

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

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 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W