

COMPANY UPDATE

Mapletree Pan Asia Commercial Trust (MPACT SP)

Anchored In Singapore; Deleveraging For Growth In Asia Pacific

MPACT's Singapore portfolio remains resilient with VivoCity benefitting as the gateway to Sentosa and MBC benefitting from its proximity to the CBD. It has stepped up leasing efforts to backfill vacant space in Chiba, Japan. MPACT has de-risked its balance sheet by deleveraging through the divestment of Mapletree Anson. MPACT trades at FY25 distribution yield of 6.8% and P/NAV of 0.70x, which we deem attractive for a blue chip S-REIT. Maintain BUY. Target price: S\$1.68.

WHAT'S NEW

- Continuously enhancing VivoCity.** Mapletree Pan Asia Commercial Trust (MPACT) has completed the reconfiguration of the food & beverage (F&B) cluster at level 1 of VivoCity from three to four units in Sep 23. It also added a new indoor refreshment area that enhances shopfront visibility along the main thoroughfare. MPACT has introduced new dining concepts at the F&B cluster, such as DipnDip chocolate café, Nong Geng Ji Hunan Cuisine, Elfuego by Collin's and ENChanko Hotpot & Kamameshi. The latest enhancement generated ROI of above 20%. VivoCity was fully occupied in 4QFY24 and benefitting from a rental uplift of 14.0% in FY24.
- VivoCity benefits from expansion at RWS.** Being the gateway to Sentosa, VivoCity benefits from Resort World Sentosa's (RWS) S\$4.5b expansion to add 1.8m sf of new and exciting attractions. Universal Studios Singapore will add two new areas ? Minion Land and Super Nintendo World. S.E.A. Aquarium will expand by three times of its present size and be rebranded as Singapore Oceanarium. A new premium resort named The Waterfront will provide 700 rooms and expand RWS' total number of rooms by 40%. Resorts World Convention Centre will be refurbished. Minion Land, Super Nintendo World and Singapore Oceanarium are scheduled to open in phases starting early-25.
- MBC benefits from proximity to the CBD.** Occupancy for Mapletree Business City (MBC) eased 1ppt qoq to 96.0% in 4QFY24. We expect occupancy at MBC to ease 2.1ppt qoq to 93.9% in 1QFY25 as Google is expected to downsize by two floors amounting to total NLA of 60,000sf. There is turnover in tenants with MBC securing a new tenant in the financial services sector after losing private bank Julius Baer. Management expects occupancy at MBC to maintain above 90%. MBC has maintained asking rent at above S\$6.00psf per month and achieved positive rental reversion of 6.7% in FY24.
- Addressing weakness from Chiba in Japan.** Management has stepped up leasing efforts to address weakness for its three office properties in Chiba, namely mBay Point, Fujitsu Makuhari and SII Makuhari, which accounted for 51.4% of its Japan portfolio's valuation. Occupancy for Japan was stable at 97.9% as of Mar 24 but subsequently dropped 4.1ppt to 93.8% due to non-renewal by NTT Urban Development at mBay Point. Seiko Instrument's lease at SII Makuhari has expired in Jun 24. We expect occupancy for Japan to drop further to 80% in 2QFY25 due to non-renewal by Seiko. MPACT will be converting SII Makuhari Building into a multi-tenanted building.

KEY FINANCIALS

Year to 31 Mar (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	826	958	927	925	934
EBITDA	580	673	647	645	652
Operating profit	579	672	647	645	652
Net profit (rep./act.)	477	577	428	422	427
Net profit (adj.)	418	427	418	422	427
EPU (S\$ cent)	8.8	8.1	7.9	8.0	8.1
DPU (S\$ cent)	9.6	8.9	8.4	8.6	8.7
PE (x)	14.0	15.1	15.5	15.3	15.2
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	7.8	7.2	6.8	7.0	7.1
Net margin (%)	57.8	60.2	46.1	45.7	45.7
Net debt/(cash) to equity (%)	69.4	68.6	60.6	61.5	62.5
Interest cover (x)	3.6	3.0	2.8	2.9	2.9
ROE (%)	6.3	6.1	4.5	4.5	4.5
Consensus DPU (S\$ cent)	n.a.	n.a.	8.6	8.9	9.1
UOBKH/Consensus (x)	-	-	0.97	0.97	0.96

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

BUY

(Maintained)

Share Price	S\$1.23
Target Price	S\$1.68
Upside	+36.6%
(Previous TP)	S\$1.72)

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):	5,257.0
Market cap (S\$m):	6,466.2
Market cap (US\$m):	4,791.9
3-mth avg daily t'over (US\$m):	21.1

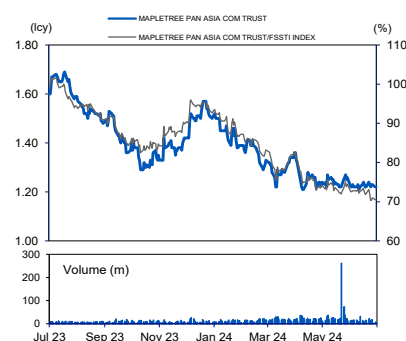
Price Performance (%)

52-week high/low	S\$1.69/S\$1.21			
1mth	3mth	6mth	1yr	YTD
(3.1)	(8.2)	(18.5)	(25.0)	(21.7)

Major Shareholders

Temasek Hldgs	56.0
FY25 NAV/Share (S\$)	1.75
FY25 Net Debt/Share (S\$)	1.09

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Muted negative impact from weakness in yen.** The yen weakened 10.1% against the Singapore dollar in FY24. The negative impact from the depreciation of the yen is partially offset by the appreciation of the Hong Kong dollar, which gained 2.6% against the Singapore dollar. Its Japan portfolio and Festival Walk accounted for 8.5% and 20.8% of NPI respectively in 4QFY24. In 1QFY25, the yen weakened 10.1% but the Hong Kong dollar appreciated 0.7% against the Singapore dollar. We see muted negative impact from a fluctuation in exchange rates in 1QFY25.

STOCK IMPACT

- Pan Asian play on commercial properties.** MPACT benefits from resiliency and growth from its Singapore properties. VivoCity continues to be enhanced and benefits from the recovery in tourism and expansion at RWS. MBC is able to maintain positive rental reversion and high occupancy due to its proximity to the CBD. Japan offers opportunities for yield-accretive acquisitions, leveraging on the recent steep depreciation of the JPY.
- Divestment of Mapletree Anson is DPU-accretive.** MPACT has entered into a put and call option agreement to divest Mapletree Anson for S\$775m (S\$10m above latest valuation) or S\$2,352psf. The exit NPI yield was low at 3.8%. The net divestment proceeds of S\$762m will be utilised to repay high-cost bank borrowings at 4.5%, thus lowering aggregate leverage from 40.5% to 37.6% on a pro forma basis as of Mar 24. Average cost of debt is expected to decline from 3.35% to 3.22%. Thus, the divestment is expected to increase pro forma FY24 DPU by 1.5% to 9.04 S cents. It will also improve MPACT's adjusted interest coverage ratio from 2.9x to 3.3x. The divestment is scheduled for completion in Jul 24.
- Deleveraging to add strategic flexibility.** MPACT is unlikely to pursue acquisitions in the near term due to the current high interest rate environment. Over the longer term, management could expand in Singapore, predominantly for retail assets. Management will also explore further expansion in Japan to 10-15% of portfolio valuation (current: 8%) due to the positive yield spread. There are also opportunities to grow in South Korea when the high interest rates start to recede (current: 1% of portfolio valuation).

EARNINGS REVISION/RISK

- We trim our FY26 DPU by 2.8% to 8.64 S cents due to a decline in occupancy at both MBC and its Japan portfolio.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$1.68 is based on DDM (cost of equity: 7.0%, terminal growth: 2.0%).

SHARE PRICE CATALYST

- Resilient growth from VivoCity and MBC in Singapore.
- MPACT has four properties located in the HarbourFront area, which accounted for 49% of its portfolio valuation. It will benefit from the development of Greater Southern Waterfront and rejuvenation of Sentosa Island and Pulau Brani.

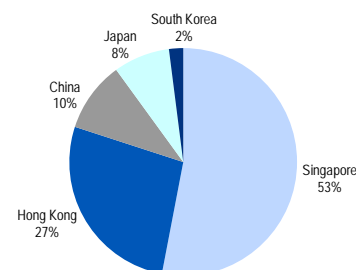
KEY OPERATING METRICS

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	yoy Chg	qoq Chg*
DPU (S cents)	4.67	2.18	2.24	2.2	2.29	1.8%	2.2%
Occupancy	97.5%	95.7%	96.3%	96.7%	96.1%	-1.4ppt	-0.6ppt
Aggregate Leverage	40.9%	40.7%	40.7%	40.8%	40.5%	-0.4ppt	-0.3ppt
All-in-Financing Cost	2.68%	3.17%	3.34%	3.33%	3.35%	0.67ppt	0.02ppt
% Borrowing in Fixed Rates	75.5%	74.2%	79.9%	85.0%	77.1%	1.6ppt	-7.9ppt
WALE by NLA (years)	2.6	2.6	2.5	2.5	2.4	-0.2yrs	-0.1yrs
Debt Maturity (years)	3.0	2.9	3.0	2.8	3.0	0yrs	0.2yrs
Rental Reversions	1.9%	2.4%	3.2%	4.1%	2.9%	1.0%	-0.3%

* hoh % chg for DPU & rental reversions

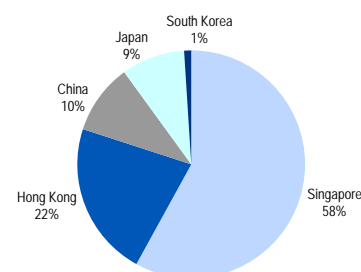
Source: MPACT, UOB Kay Hian

PORTFOLIO VALUE BY COUNTRY POST DIVESTMENT



Source: MPACT

NPI BY COUNTRY POST DIVESTMENT



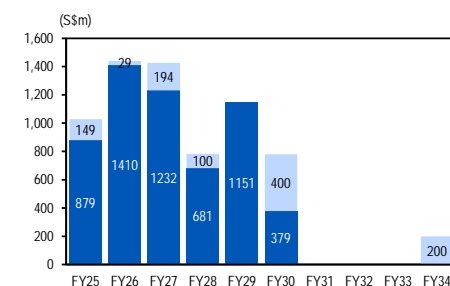
Source: MPACT

PORTFOLIO OCCUPANCY

	Mar 24	Dec 23	Sep 23	Jun 23	Mar 23	yoy Chg	qoq Chg
MBC	96.0%	97.0%	96.8%	95.9%	95.4%	0.6%	-1.0%
VivoCity	100.0%	99.7%	100.0%	99.3%	99.1%	0.9%	0.3%
Other Singapore Properties	98.3%	99.3%	97.7%	97.4%	95.9%	2.4%	-1.0%
Festival Walk	99.7%	100.0%	100.0%	99.6%	99.6%	0.1%	-0.3%
China Properties	87.5%	89.6%	88.9%	87.3%	86.5%	1.0%	-2.1%
Japan Properties	97.9%	97.4%	97.3%	97.3%	97.5%	0.4%	0.5%
The Pinnacle Gangnam	99.1%	99.3%	97.5%	99.1%	99.3%	-0.2%	-0.2%
MPACT's Portfolio	96.1%	96.7%	96.3%	95.7%	95.4%	0.7%	-0.6%

Source: MPACT

DEBT MATURITY PROFILE



Source: MPACT

PROFIT & LOSS

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Net turnover	958.1	927.0	924.9	934.4
EBITDA	673.4	647.4	645.4	652.2
Deprec. & amort.	1.1	0.1	0.0	0.0
EBIT	672.3	647.3	645.4	652.2
Net interest income/(expense)	(225.5)	(229.6)	(223.1)	(225.5)
Pre-tax profit	596.2	427.7	422.3	426.7
Tax	(19.5)	0.0	0.0	0.0
Net profit	576.7	427.7	422.3	426.7
Net profit (adj.)	427.4	417.7	422.3	426.7

CASH FLOW

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Operating	725.0	700.8	646.3	652.2
Pre-tax profit	577.9	422.3	416.9	421.3
Deprec. & amort.	1.1	0.1	0.0	0.0
Associates	(6.4)	0.0	0.0	0.0
Working capital changes	0.1	28.8	2.8	2.3
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	152.3	249.6	226.5	228.6
Investing	(56.3)	745.0	(30.0)	(30.0)
Capex (growth)	(64.8)	(30.0)	(30.0)	(30.0)
Capex (maintenance)	0.0	0.0	0.0	0.0
Investments	0.0	775.0	0.0	0.0
Others	8.5	0.0	0.0	0.0
Financing	(719.9)	(1,426.2)	(615.3)	(622.4)
Distribution to unitholders	(465.2)	(440.9)	(455.7)	(460.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(25.8)	(754.1)	65.0	65.0
Others/interest paid	(228.9)	(231.2)	(224.7)	(227.1)
Net cash inflow (outflow)	(51.1)	19.6	0.9	(0.2)
Beginning cash & cash equivalent	216.1	157.2	176.8	177.7
Changes due to forex impact	(7.8)	0.0	0.0	0.0
Ending cash & cash equivalent	157.2	176.8	177.7	177.5

BALANCE SHEET

Year to 31 Mar (\$m)	2024	2025F	2026F	2027F
Fixed assets	16,250.3	15,515.3	15,545.3	15,575.3
Other LT assets	211.2	211.2	211.2	211.2
Cash/ST investment	157.2	176.8	177.7	177.5
Other current assets	43.6	50.5	50.8	51.0
Total assets	16,662.3	15,953.7	15,984.9	16,014.9
ST debt	1,026.3	1,026.3	1,026.3	1,026.3
Other current liabilities	226.3	261.9	265.0	267.5
LT debt	5,624.1	4,870.0	4,935.0	5,000.0
Other LT liabilities	314.5	343.0	344.8	346.3
Shareholders' equity	9,458.4	9,439.8	9,401.0	9,362.1
Minority interest	12.8	12.8	12.8	12.8
Total liabilities & equity	16,662.3	15,953.7	15,984.9	16,014.9

KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	70.3	69.8	69.8	69.8
Pre-tax margin	62.2	46.1	45.7	45.7
Net margin	60.2	46.1	45.7	45.7
ROA	3.4	2.6	2.6	2.7
ROE	6.1	4.5	4.5	4.5
Growth				
Turnover	16.0	(3.2)	(0.2)	1.0
EBITDA	16.2	(3.9)	(0.3)	1.1
Pre-tax profit	25.4	(28.3)	(1.3)	1.0
Net profit	20.8	(25.8)	(1.3)	1.0
Net profit (adj.)	2.1	(2.3)	1.1	1.0
EPU	(7.4)	(2.4)	0.9	0.8
Leverage				
Debt to total capital	41.3	38.4	38.8	39.1
Debt to equity	70.3	62.5	63.4	64.4
Net debt/(cash) to equity	68.6	60.6	61.5	62.5
Interest cover (x)	3.0	2.8	2.9	2.9

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