

COMPANY RESULTS

Mapletree Pan Asia Commercial Trust (MPACT SP)

1QFY25: Steadfast Recovery, One Step At A Time

VivoCity generated impressive positive rental reversion of 19.9% in 1QFY25 and will be further enhanced with AEIs at basement 2. Other Singapore properties, such as mTower and Bank of America HarbourFront, achieved positive rental reversion of 10.2%. MPACT has deleveraged through the divestment of Mapletree Anson. It trades at FY26 distribution yield of 6.7% and P/NAV of 0.73x, which we deem attractive for a blue chip S-REIT. Maintain BUY. Target price: S\$1.68.

1QFY25 RESULTS

Year to 31 Mar (\$m)	1QFY25	yoy % chg	Remarks
Gross Revenue	236.7	-0.2	Growth from VivoCity, other SG properties and Festival Walk.
Net Property Income	179.4	+0.1	Overseas contribution dampened by weakness of JPY.
Distributable Income	110.8	-3.5	Benefitted from lower utility expenses and property tax.
DPU (S cents)	2.09	-4.1	Finance costs increased 9.8% yoy.

Source: MPACT, UOB Kay Hian

RESULTS

- Mapletree Pan Asia Commercial Trust (MPACT) reported DPU of 2.09 S cents for 1QFY25 (-4.1% yoy), which is in line with our expectations.
- Portfolio NPI was stable yoy at S\$179.4m** and NPI margin was healthy at 75.8% in 1QFY25. MPACT renewed and re-let leases with NLA of 1.2m sf (11% of portfolio NLA) and achieved positive rental reversion of 5.2%. Portfolio occupancy eased 2.1ppt qoq to 94.0%. Finance costs increased 9.8% yoy.
- Resiliency from home base in Singapore.** NPI from VivoCity grew 4.6% yoy in 1QFY25. VivoCity achieved a strong positive rental reversion of 19.9% and occupancy remains high at 99.8%. MBC saw a small positive rental reversion of 2.3% but occupancy slipped 3.2ppt qoq to 92.8% due to downsizing by Google Asia Pacific. Other Singapore properties, such as mTower and Bank of America HarbourFront, achieved positive rental reversion of 10.2% and occupancy eased slightly by 2.3ppt qoq to 96.0%.
- Weathering overseas volatilities in Hong Kong.** NPI from Festival Walk edged up by 2.7% yoy in 1QFY25, supported by higher auxiliary income from its atrium space, car park and ice-skating ring. Festival Walk maintained a high occupancy of 99.6% and negative rental reversion has narrowed to 5.0% in 1QFY25 (FY24: -8.7%). Recovery at Festival Walk was hampered by a surge in outbound travel to Shenzhen driven by the strong Hong Kong dollar.
- Addressing weaknesses in Makuhari, Chiba.** NPI from Japan declined 17.9% yoy in 1QFY25. The Japan portfolio was affected by three properties located in the soft Makuhari area in the Chiba sub-market. It incurred a negative rental reversion of 12.7% due to low tenant retention at 13.0%. Occupancy eased 3.7ppt qoq to 94.2% in 1QFY25 due to lease expiry for NTT Urban Development at mBAY POINT Makuhari. Occupancy is expected to drop further to 82.3% in 2QFY25 after the lease for Seiko Instrument at Makuhari Bay Tower expires. Makuhari Bay Tower is being converted into a multi-tenanted building. MPACT has embarked on a targeted leasing campaign to backfill the vacant spaces over time.

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)	14.7	15.8	16.2	16.1	16.0
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	7.4	6.9	6.5	6.7	6.8
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\$1.29
Target Price	S\$1.68
Upside	+30.2%

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):	6,781.6
Market cap (US\$m):	5,045.1
3-mth avg daily t'over (US\$m):	19.5

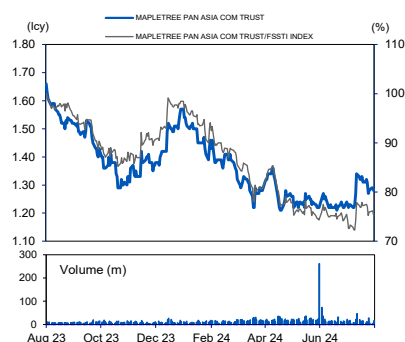
Price Performance (%)

52-week high/low	S\$1.66/S\$1.21			
1mth	3mth	6mth	1yr	YTD
5.7	2.4	(10.4)	(23.2)	(17.8)

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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- **Resilient balance sheet.** Aggregate leverage was stable at 40.5% as of Mar 24. Interest coverage ratio is healthy at 2.8x. Its debt maturity profile is well-staggered with no single financial year having more than 19% of debt refinancing.
- **Higher cost of debt.** Average all-in cost of debt increased 19bp qoq to 3.54% in 1QFY25 due to a replacement of swaps at higher interest rates. MPACT has swapped HKD loans into RMB loans. Thus, RMB loans expanded from 7% to 9% of total gross debt. MPACT had issued S\$200m of 10-year fixed rate senior green notes at 3.9% in Mar 24. Management expects cost of debt to hover near mid-3% in FY25.

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 recent steep depreciation of the JPY.
- **Major revitalisation for basement 2 of VivoCity.** The AEI will be executed in two key phases: a) to increase the number of grab & go food kiosks from 21 to 24, and b) to create new retail area by converting 14,000sf of carpark space and reconfiguring existing retail space. Trade mix will be enhanced with attractive new offerings. Circulation will be improved for seamless shopping experience. The AEI is expected to complete by end-25 and generate ROI of 10% on capex of S\$42m.
- **Potential enhancement for Festival Walk.** Management is evaluating the feasibility for an AEI at Festival Walk to reconfigure retail space currently occupied by mini anchors, such as a cinema operator, into a higher yield retail cluster, in order to capitalise on the flow of shopper traffic from the link to Kowloon Tong MTR Station. MPACT will announce the details when the plan is finalised and approved by the authorities.
- **Divestment of Mapletree Anson is DPU-accretive.** MPACT has completed the divestment of Mapletree Anson for S\$775m (S\$10m above latest valuation) or S\$2,352psf on 31 Jul 24. 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.
- **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 a targeted 10-15% of portfolio valuation (current: 8%) due to the positive yield spread.

- **Unitholders have approved the unit buyback mandate** during AGM on 29 Jul 24.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

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

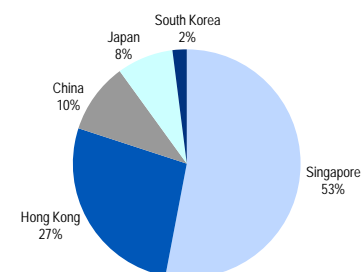
- Resilient growth from VivoCity and MBC in Singapore.
- MPACT has four properties located in the HarbourFront area, which accounted for 49% of its portfolio valuation. It will benefit from the development of Greater Southern Waterfront and rejuvenation of Sentosa Island and Pulau Brani.

KEY OPERATING METRICS

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	yoy Chg	qoq Chg*
DPU (S cents)	2.18	2.24	2.2	2.29	2.09	-4.1%	-5.0%
Occupancy	95.7%	96.3%	96.7%	96.1%	94.0%	-1.7ppt	-2.1ppt
Aggregate Leverage	40.7%	40.7%	40.8%	40.5%	40.5%	-0.2ppt	Oppt
All-in-Financing Cost	3.17%	3.34%	3.33%	3.35%	3.54%	0.37ppt	0.19ppt
% Borrowing in Fixed Rates	74.2%	79.9%	85.0%	77.1%	78.9%	4.7ppt	1.8ppt
WALE by NLA (years)	2.6	2.5	2.5	2.4	2.5	-0.1yrs	0.1yrs
Debt Maturity (years)	2.9	3.0	2.8	3.0	3.1	0.2yrs	0.1yrs
Rental Reversions	2.4%	3.2%	4.1%	2.9%	5.2%	2.8%	1.1%

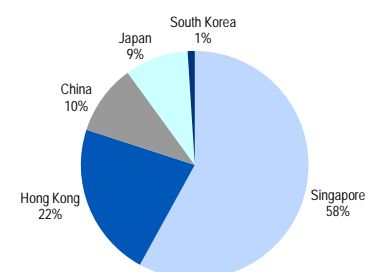
Source: MPACT, UOB Kay Hian * hoh % chg for DPU & rental reversions

PORTFOLIO VALUE BY COUNTRY POST DIVESTMENT



Source: MPACT

NPI BY COUNTRY POST DIVESTMENT



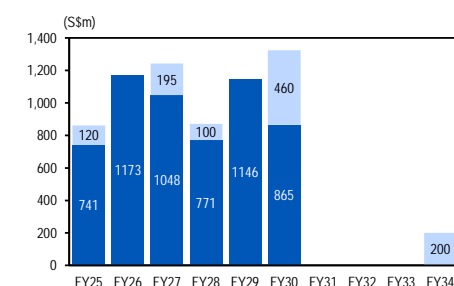
Source: MPACT

PORTFOLIO OCCUPANCY

	Jun 24	Mar 24	Dec 23	Sep 23	Jun 23	yoy Chg	qoq Chg
MBC	92.8%	96.0%	97.0%	96.8%	95.9%	-3.1%	-3.2%
VivoCity	99.8%	100.0%	99.7%	100.0%	99.3%	0.5%	-0.2%
Other Singapore Properties	96.0%	98.3%	99.3%	97.7%	97.4%	-1.4%	-2.3%
Festival Walk	99.6%	99.7%	100.0%	100.0%	99.6%	0.0%	-0.1%
China Properties	88.2%	87.5%	89.6%	88.9%	87.3%	0.9%	0.7%
Japan Properties	94.2%	97.9%	97.4%	97.3%	97.3%	-3.1%	-3.7%
The Pinnacle Gangnam	96.8%	99.1%	99.3%	97.5%	99.1%	-2.3%	-2.3%
MPACT's Portfolio	94.0%	96.1%	96.7%	96.3%	95.7%	-1.7%	-2.1%

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

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

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

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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