

# SPH REIT (SPHREIT SP)

## Slow Recovery

### 3Q21 DPU in line, maintain HOLD

SPHREIT's 3Q21 DPU rose 11.3% QoQ on the back of recovering fundamentals, underpinned by its suburban Singapore assets and resilient Australian malls. Paragon, at c.56% of revenue and 64% of its AUM, remains weak, with negative rental reversions to persist, given slow tenant sales and absent tourism spend. The numbers were in line and we maintain our forecasts and DDM-based SGD0.80 TP (COE: 7.8%, LTG: 1.5%). Stay at HOLD. We prefer FCT (FCT SP, BUY, TP SGD2.90) for its concentrated suburban mall portfolio.

### Singapore portfolio supported by suburban malls

Portfolio occupancy rose QoQ from 98.0% to 98.4% due to the better performance of its suburban assets, with Clementi Mall and Rail Mall both fully occupied. While revenue at Paragon jumped c.151% YoY in 3Q21 with the easing of rent relief provisions, it fell c.9% QoQ on the back of weaker rental reversions. Its tenant sales fell to c.40% below pre-Covid levels in May, from Singapore's 'heightened alert' capacity restrictions but should rise as they get eased from 4Q21. Its expiring leases in FY22 at 29% of gross rental income, are attributed to smaller specialty and luxury names, as leases for its anchors Metro and M&S have already been renewed.

### Australia assets resilient, possible AEI upside

Its Australian malls fared better as revenue rose c.17% YoY and 3.6% QoQ at Figtree and c.11% YoY and c.1% QoQ at Marion Westfield. Tenant sales have recovered to 90-95% of pre-Covid levels and should improve into FY22. Both are backed by favourable fundamentals and strong catchment, with occupancies expected to remain resilient. Westfield Marion is a strong destination asset, with a majority of its specialty tenant leases embedded with p.a rental escalations at CPI plus 2.0-2.5% spread, and management is likely eyeing a potential AEI to lift the property's yield.

### Conservative balance sheet

Its balance sheet remains conservative with low gearing (at c.30%), which suggests a SGD400-800m debt headroom (at 40-50% limit). Management is 'not in a rush' on overseas acquisitions, and we think the sponsor's Seletar Mall will likely be prioritised. We estimate that a fully-debt funded deal for the SGD480m asset could add c.8% to our FY22 estimates.

FYE Aug (SGD m)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	229	241	281	284	286
Net property income	180	182	214	216	218
Core net profit	129	113	163	166	167
Core EPU (cts)	5.0	4.2	5.9	5.9	5.9
Core EPU growth (%)	2.7	(16.3)	41.0	1.1	0.2
DPU (cts)	5.6	2.6	5.2	5.3	5.3
DPU growth (%)	1.1	(52.9)	98.0	1.2	0.3
P/NTA (x)	1.0	0.9	0.9	0.9	0.9
DPU yield (%)	5.1	3.0	5.6	5.7	5.7
ROAE (%)	5.7	(2.4)	4.7	5.0	6.0
ROAA (%)	3.5	2.8	3.9	3.9	3.9
Debt/Assets (x)	0.28	0.31	0.31	0.31	0.31
Consensus DPU	-	-	5.3	5.4	5.5
MKE vs. Consensus (%)	-	-	(1.5)	(2.5)	(4.7)

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# HOLD

Share Price	SGD 0.93
12m Price Target	SGD 0.80 (-9%)
Previous Price Target	SGD 0.80

### Company Description

SPH REIT engages in the ownership and acquisition of commercial properties. It operates through the Paragon and The Clementi Mall segments.

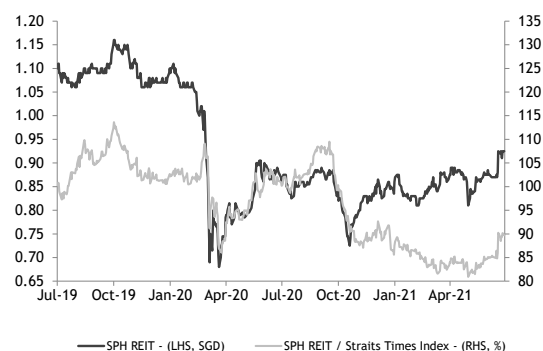
### Statistics

52w high/low (SGD)	0.93/0.73
3m avg turnover (USDm)	0.9
Free float (%)	25.8
Issued shares (m)	2,779
Market capitalisation	SGD2.6B
	USD1.9B

### Major shareholders:

Singapore Press Holdings Ltd.	68.2%
NTUC Enterprise Co-operative Ltd.	5.2%
SPH REIT Management Pte. Ltd.	1.3%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	6	7	5
Relative to index (%)	7	8	(11)

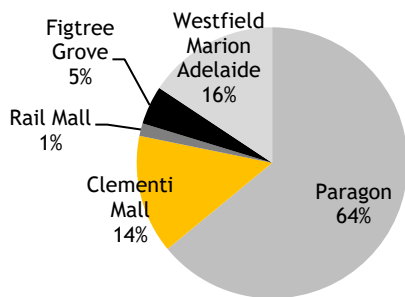
Source: FactSet

ESG@MKE  
 Tear Sheet Insert

## Value Proposition

- Owns five assets - two well-located malls - Paragon in Orchard Road's shopping belt, Clementi Mall in the west linked directly to the Clementi MRT, Rail Mall along Upper Bukit Timah Road acquired in Jun 2018, Figtree Grove in New South Wales, Australia acquired in Dec 2018, and Westfield Marion in Adelaide in Dec 2019.
- Sponsor SPH (SPH SP, not-rated) is Singapore's dominant media company and also a real estate developer.
- It has right of first refusal to (1) Seletar Mall which opened in Nov 2014 with book value of SGD480m at end-Aug 2020, and (2) Woodleigh Mall currently under construction.
- Conservative balance sheet, with leverage at 30.4% and about SGD400-800m in debt headroom at 40-50% gearing.

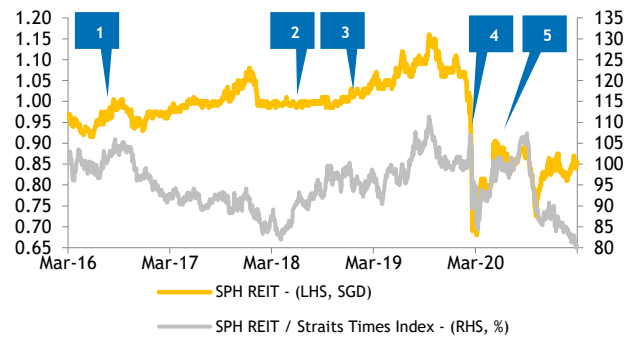
### AUM breakdown (as of end-Aug 2020)



Source: Company

## Price Drivers

### Historical share price trend



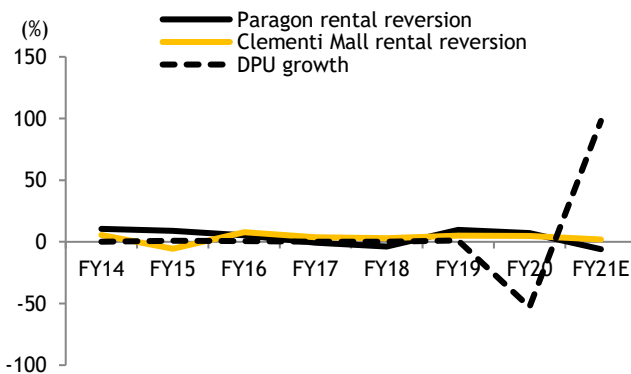
Source: Company, FactSet, Maybank Kim Eng

- Dec-16: Chairman affirms SPHREIT's interest in acquiring Seletar Mall from its sponsor subject to price and timing, during the AGM.
- Jun-18: Acquires Rail Mall at 50k sf NLA for SGD63.2m. The property has a remaining 28-year leasehold.
- Dec-18: Announces first overseas deal; acquires 85% interest in Figtree Grove in New South Wales Australia for AUD188.2m (SGD188.2m) at 6.0% NPI yield.
- Nov-19: Announces second, more sizeable overseas deal; acquires Westfield Marion in Adelaide for AUD670.0m (SGD636.5m) at 5.6% NPI yield.
- Apr-20: 2Q20 DPU down 78.7% YoY and 78.3% QoQ, with 80% of distributable income retained in anticipation of a more challenging outlook for remaining FY due to the pandemic.

## Financial Metrics

- DPU growth to decline in FY20 as heightened social distancing measures affect demand, while management focuses on tenant retention with weaker rents.
- Paragon to gain from a recovery in Orchard Road rents only from FY22 as Clementi Mall stays at a single-digit growth trajectory.

### Rental reversion and DPU growth



Source: Company, Maybank Kim Eng

## Swing Factors

### Upside

- Earlier-than-expected pick-up in leasing demand for retail; office space driving improvement in occupancy.
- Higher-than-anticipated rental reversions.
- Accretive acquisitions or redevelopment projects.

### Downside

- Prolonged slowdown in economic activity could reduce demand for retail and office space, resulting in lower occupancy and rental rates.
- Termination of long-term leases contributing to weaker portfolio tenant retention rate.
- Sharper-than-expected rise in interest rates could increase cost of debt and negatively impact earnings, with higher cost of capital lowering valuations.

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<b>Risk Rating &amp; Score<sup>1</sup></b>	17.1 (Low)
<b>Score Momentum<sup>2</sup></b>	-2.0
<b>Last Updated</b>	1 February 2021
<b>Controversy Score<sup>3</sup></b> (Updated: 11 March 2015)	0 - No Reported Incident

## Business Model & Industry Issues

- SPHREIT draws on its available pool of funds to invest in retail real estate, undertake asset enhancements, and redevelop properties to optimise value for its unitholders. It is susceptible to sustainability-focused investors with strong preference for investing in companies that meet specific ESG criteria, given its incessant need for additional capital.
- Its activities relating to permissible investments, leverage limits and annual reporting requirements are closely regulated by the MAS under Singapore's code on collective investment schemes. Independence, real estate and capital markets experience on its board is high, with strong representation by members with international experience, essential in our view, as its overseas portfolio is increasingly a growth platform.
- Its material ESG considerations were expanded in FY19 from three to six to include corporate governance, data privacy, and health & safety of its stakeholders, which together with its focus on energy usage, water usage, and local communities, are aligned to the UN's 2030 sustainability development goals.
- With high board independence and conservative capital management, ESG initiatives so far have centred on environmental and communal risks and opportunities in Singapore. We expect these to expand in line with growth in its overseas AUM.

## Material E issues

- The Paragon was BCA Green Mark certified in 2018, while its Clementi Mall achieved the BCA Green Mark Gold certification in 2019. Both properties are PUB-certified water efficient buildings, with water usage and intensity monitored, and viability of NEWater resourcing currently being explored.
- Environmental metrics for the two Singapore malls have steadily improved since FY17, as consumption and intensity for electricity, greenhouse gas emissions (GHG) and water down 26%, 34%, and 31% from FY15-20, and targets are in place to achieve by FY25 (on a FY15 base year), to reduce (a) electricity intensity by at least 18%, (b) greenhouse gas emissions intensity by 30%, and (c) water intensity by 18%.
- Has not made disclosures on environmental measurements or commitments for its Australian assets, which have grown following two deals, and now contribute about 20% of its AUM and 50% of its total NLA.

## Material S issues

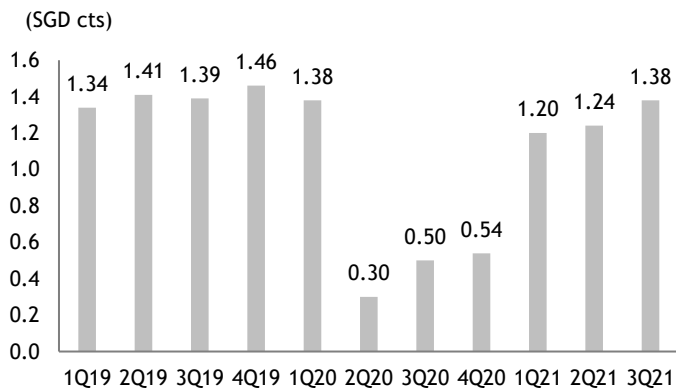
- Tenant and shopper engagement initiatives, excluding those to support communal and charitable fund-raising activities, are largely commercially motivated. These include lease negotiations against high occupancy costs (in FY17-18), and mall-based events to boost shopper traffic.
- Given its small staff size, the REIT and its sponsor have perhaps not discussed efforts, nor committed to learning and development programmes for its employees.
- Gender diversity is high, with female representation of 75% at the management level, including the position of its CEO, as well as 2 members on its board.
- Its Clementi Mall houses a community library, and it is the only public library in the West of the island that is located in a shopping mall.

## Key G metrics and issues

- Managed externally by subsidiaries of its sponsor SPH (for its Singapore properties), which supports its growth via a pipeline of property assets from its development activities, and access to capital markets.
- Board independence is high - it does not comprise any members with executive functions, and 4 of its 7 members, including the Chairman are independent.
- Management fee structure, with the base fee at 0.25% of its deposited property, performance fee at 5.0% pa of NPI, and acquisition and disposal fee at 1.0% and 0.5% deal value, is comparable to peers.
- The remuneration bands of its CEO and key management are not disclosed in its annual report.
- Payout ratio for its taxable income has been consistently maintained at 100%, above the minimum 90% threshold for tax transparency. Management retained 80% of its distributable income during 2Q20 in light of a challenging outlook for its retail properties for the remaining FY due to Covid-19.
- Has recently ventured overseas with two Australian freehold acquisitions - an 85% interest in Figtree Grove in Sydney (completed at end-2018) and a 50% stake in Westfield Marion in Adelaide (end-2019). Both were third-party transactions and accretive to unitholders.
- Maintains one of the most conservative balance sheets - its leverage averaged 27.1% over FY16-20 but rose to 30.5% in 4Q20. In spite of a substantial debt headroom, management issued SGD300m in perpetual securities (in Aug 2019) to partially fund its Adelaide acquisition.

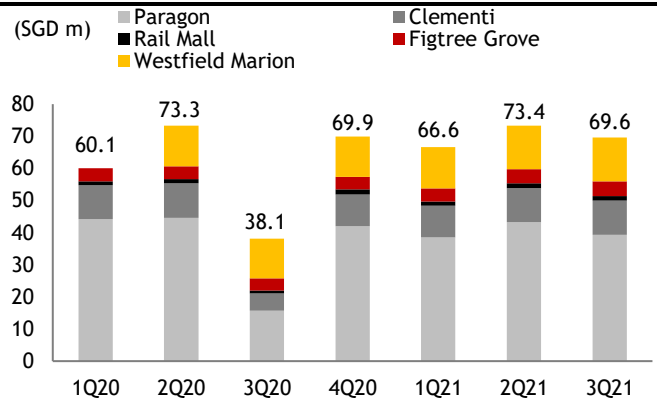
<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

**Fig 1: DPU up 11.3% QoQ to SGD1.38cts**



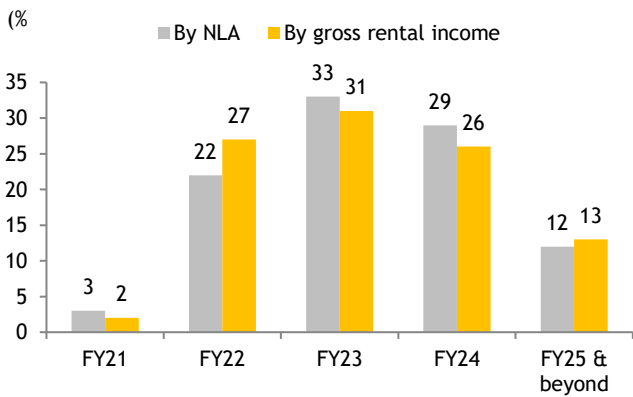
Source: Company data

**Fig 2: Revenue down 5.1% QoQ from Paragon, Rail Mall**



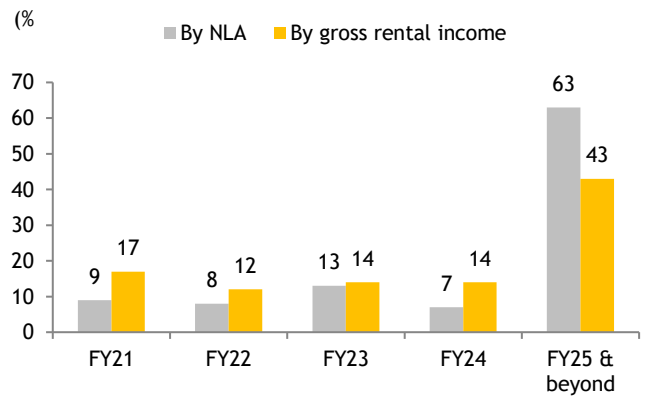
Source: Company data

**Fig 3: Singapore lease expiry profile**



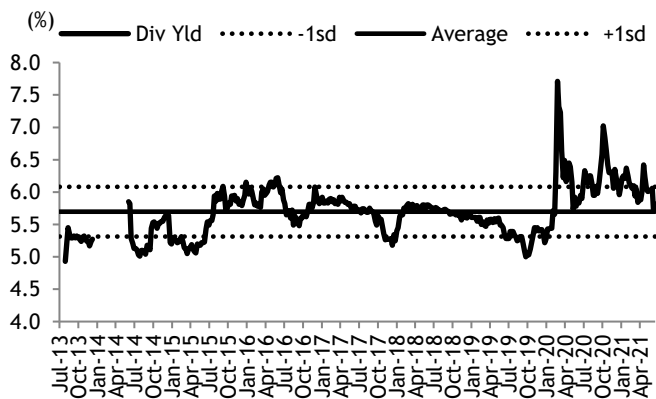
Source: Company data

**Fig 4: Australia lease expiry profile**



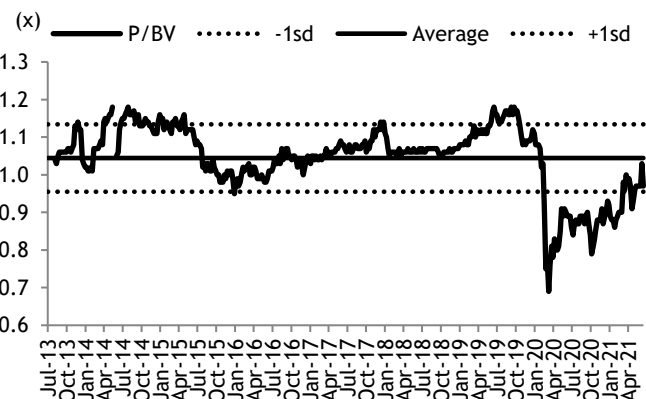
Source: Company data

**Fig 5: DPU yield has fallen since Mar 2020 in anticipation of a post-pandemic recovery**



Source: Bloomberg, Maybank Kim Eng

**Fig 6: P/B fell sharply from pandemic weakness in 2020, but has recovered with NPI**



Source: Bloomberg, Maybank Kim Eng

Fig 7: S-REITs valuation comparison

Company	Rec.	Price	TP	Upside	Yield	Total	MC	ADTV	Free	BVPS	P/BV	Dividend yield (%)				Gearing
												(SGD)	(SGD)	(%)	(%)	
<b>Retail</b>							<b>8.1</b>	<b>11.9</b>			<b>0.92</b>	<b>6.1</b>	<b>3.9</b>	<b>5.7</b>	<b>6.0</b>	<b>34</b>
Frasers Ctr Trust (FCT)	Buy	2.48	2.90	16.9	4.9	21.8	4.2	9.4	59	2.21	1.12	4.8	3.6	4.9	5.2	35
Starhill Global (SGREIT)	NR	0.60					1.3	1.3	62	0.81	0.74	7.4	5.0	6.6	7.0	36
SPH REIT (SPHREIT)	Hold	0.93	0.80	(13.5)	5.7	(7.8)	2.6	1.2	29	1.02	0.91	6.0	2.9	5.7	5.7	30
<b>Retail &amp; Office</b>							<b>26.6</b>	<b>79.5</b>			<b>1.03</b>	<b>5.0</b>	<b>4.3</b>	<b>5.1</b>	<b>5.4</b>	<b>37</b>
Cap. Int. Comm. Trust (CICT)	Buy	2.15	2.55	18.6	5.0	23.6	13.9	37.0	37	2.01	1.07	5.6	4.1	5.0	5.5	34
Mapletree Comm. (MCT)	Buy	2.19	2.35	7.3	4.4	11.8	7.3	16.4	67	1.72	1.27	3.7	4.2	4.4	4.5	34
Suntec REIT (SUN)	Hold	1.53	1.25	(18.3)	5.6	(12.7)	4.3	26.1	49	2.12	0.72	6.2	4.6	5.6	5.9	44
Lendlease REIT (LREIT)	NR	0.89					1.0		75	0.85	1.05	4.4	4.2	5.3	5.6	35
<b>Office</b>							<b>6.7</b>	<b>12.7</b>			<b>0.80</b>	<b>6.2</b>	<b>5.2</b>	<b>6.1</b>	<b>5.7</b>	<b>38</b>
Keppel REIT (KREIT)	Sell	1.19	0.95	(20.2)	4.9	(15.2)	4.4	11.8	58	1.34	0.89	4.8	4.8	4.9	5.0	35
OUE Comm. (OUECT)	NR	0.44					2.4	0.9	27	0.61	0.71	7.6	5.5	7.2	6.4	40
<b>Industrial</b>							<b>43.6</b>	<b>123.5</b>			<b>1.43</b>	<b>5.4</b>	<b>5.3</b>	<b>5.5</b>	<b>5.7</b>	<b>38</b>
Ascendas REIT (AREIT)	Buy	3.03	3.65	20.5	5.2	25.7	12.6	38.0	83	2.21	1.37	3.7	4.9	5.2	5.5	38
Mapletree Ind. (MINT)	Buy	2.86	3.25	13.6	4.7	18.3	7.6	21.0	77	1.66	1.73	4.8	4.9	4.7	5.0	40
Mapletree Log. (MLT)	Buy	2.10	2.25	7.1	4.1	11.3	9.0	23.6	68	1.33	1.58	3.9	3.9	4.1	4.2	38
Keppel DC REIT (KDCREIT)	NR	2.58					4.2	18.5	79	1.19	2.17	3.0	3.6	3.9	4.1	37
Frasers Log. & Ind. (FLT)	NR	1.50					5.5	14.1	72	1.14	1.32	4.5	4.6	5.1	5.2	35
ARA Logos Trust (ALLT)	Buy	0.89	0.80	(9.6)	7.4	(2.2)	1.3	2.5	90	0.53	1.67	7.0	7.2	7.4	7.4	37
AIMS APAC (AAREIT)	Buy	1.58	1.60	1.3	6.1	7.4	1.1	1.4	61	1.54	1.03	6.0	5.7	6.1	6.3	34
ESR REIT (ESREIT)	NR	0.46					1.8	4.0	70	0.40	1.14	8.6	6.1	6.7	7.2	42
Sabana SC REIT (SSREIT)	NR	0.44					0.5	0.3	59	0.51	0.85	6.7	6.3	6.6	7.0	36
<b>Hospitality</b>							<b>6.9</b>	<b>7.5</b>			<b>0.85</b>	<b>7.3</b>	<b>6.0</b>	<b>5.4</b>	<b>6.0</b>	<b>39</b>
Ascott Res. Trust (ART)	Buy	1.04	1.25	20.2	3.8	24.0	3.2	4.4	59	1.15	0.91	7.0	7.3	3.8	4.9	36
CDL HT (CDLHT)	Hold	1.25	1.30	4.0	4.0	8.0	1.5	2.0	61	1.32	0.95	7.2	3.9	4.0	5.0	39
Far East HT (FEHT)	Buy	0.59	0.70	18.6	4.4	23.0	1.2	0.8	47	0.79	0.74	6.5	4.1	4.4	5.1	42
Frasers HT (FHT)	Hold	0.53	0.50	(4.8)	9.2	4.4	1.0	0.3	38	0.66	0.80	8.4	8.9	9.2	9.2	38
<b>Offshore REITs</b>							<b>18.5</b>	<b>23.0</b>			<b>0.89</b>	<b>9.8</b>	<b>7.2</b>	<b>7.3</b>	<b>7.5</b>	<b>37</b>
Mapletree N. Asia (MAGIC)	NR	1.04					3.6	7.5	59	1.27	0.82	6.8	5.9	6.7	7.1	42
Capita China Trust (CLCT)	NR	1.35					2.0	3.8	69	1.49	0.91	7.3	4.7	6.5	7.2	35
Ascendas India Trust (AIT)	NR	1.48					1.7	3.0	94	1.09	1.36	4.8	6.0	6.2	0.0	30
Sasseur REIT (SASSR)	Buy	0.97	1.05	8.2	6.9	15.2	1.2	1.5	41	0.92	1.05	6.7	6.7	6.9	7.4	28
Dasin Retail Trust (DASIN)	NR	0.52					0.4	0.3	28	1.41	0.37	13.1	7.6	8.7	8.7	37
BHG Retail REIT (BHGREIT)	NR	0.56					0.3	0.0	24	0.83	0.67	n.a.	n.a.	5.4	5.8	36
Lippo Malls Ind. RT (LMIRT)	NR	0.06					0.5	0.2	40	0.10	0.64	33.4	n.a.	n.a.	n.a.	42
Manulife US REIT (MUST)	Buy	0.80	1.00	25.0	7.3	32.3	1.7	1.6	91	0.71	1.12	7.5	7.4	7.3	7.4	41
Prime US REIT (PRIME)	Buy	0.86	1.10	27.9	8.3	36.2	1.3	0.8	51	0.84	1.03	5.7	8.0	8.3	8.4	34
Keppel P.O. US REIT (KORE)	NR	0.81					1.0	1.0	84	0.80	1.01	7.4	7.7	7.4	7.4	38
Cromwell REIT (CEREIT)	NR	2.55					2.3	2.0	91	1.32	0.97	7.1	6.9	6.9	7.1	39
IREIT Global (IREIT)	NR	0.64					0.6	0.5	59	0.76	0.84	7.9	8.0	6.3	7.1	35
EC World REIT (ECWREIT)	NR	0.81					0.7	0.5	42	0.91	0.89	7.4	6.4	7.4	7.4	38
United Hampshire US (UHU)	NR	0.75					0.5	0.2	79	0.74	1.01	5.7	6.8	8.3	8.5	38
Elite Commercial (ELITE)	NR	0.67					0.6	0.3	76	0.62	1.07	6.2	6.6	7.6	7.7	42
<b>Healthcare</b>							<b>3.3</b>	<b>3.8</b>			<b>1.45</b>	<b>16.4</b>	<b>18.2</b>	<b>2.9</b>	<b>3.0</b>	<b>43</b>
Parkway Life REIT (PREIT)	NR	4.73					2.9	2.9	64	1.98	2.39	2.8	2.9	2.9	3.0	38
First REIT (FIRST)	NR	0.26					0.4	0.8	64	0.51	0.51	30.1	33.5	n.a.	n.a.	49
<b>Total REITs</b>							<b>114</b>	<b>262</b>			<b>1.06</b>	<b>7.6</b>	<b>6.4</b>	<b>6.0</b>	<b>6.1</b>	<b>37</b>
<b>S-REIT yield spread</b>																<b>2.5</b>
FSTREI Index																3.9
SGS 10Y bond yield																1.5

Prices as of 12 Jul 2021. NR = Not Rated.

Source: Bloomberg, FactSet, Companies, Maybank Kim Eng

FYE 31 Aug	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Key Metrics</b>					
Price/DPU(x)	19.6	33.1	17.8	17.6	17.5
P/BV (x)	1.0	0.9	0.9	0.9	0.9
P/NTA (x)	1.0	0.9	0.9	0.9	0.9
DPU yield (%)	5.1	3.0	5.6	5.7	5.7
FCF yield (%)	6.4	7.0	7.6	7.7	7.7
<b>INCOME STATEMENT (SGD m)</b>					
Revenue	228.6	241.5	281.0	284.2	285.8
<b>Net property income</b>	<b>179.8</b>	<b>181.9</b>	<b>213.8</b>	<b>216.3</b>	<b>217.5</b>
Management and trustee fees	(20.3)	(23.7)	(23.4)	(23.6)	(23.7)
Net financing costs	(30.5)	(32.9)	(35.8)	(35.8)	(35.8)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	19.4	(179.0)	(18.1)	(11.5)	15.5
Other pretax income/expenses	0.0	0.0	0.0	0.0	0.0
<b>Pretax profit</b>	<b>148.4</b>	<b>(61.8)</b>	<b>136.5</b>	<b>145.5</b>	<b>173.6</b>
Income tax	(0.4)	(4.0)	(4.7)	(4.8)	(4.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
<b>Total return avail to unitholders</b>	<b>148.1</b>	<b>(65.8)</b>	<b>131.8</b>	<b>140.8</b>	<b>168.8</b>
Core net profit	128.6	113.2	163.1	165.5	166.6
Distributable inc to unitholders	144.8	72.9	144.9	147.3	148.3
<b>BALANCE SHEET (SGD m)</b>					
Cash & Short Term Investments	342.7	82.0	82.6	83.4	84.2
Accounts receivable	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	0.6	0.6	0.6	0.6	0.6
Investment properties	3,597.8	4,125.4	4,114.3	4,109.8	4,132.3
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	7.4	32.7	32.7	32.7	32.7
<b>Total assets</b>	<b>3,948.4</b>	<b>4,240.7</b>	<b>4,230.2</b>	<b>4,226.4</b>	<b>4,249.7</b>
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	48.3	80.0	80.0	80.0	80.0
LT interest bearing debt	1,091.1	1,298.6	1,298.6	1,298.6	1,298.6
Other liabilities	37.6	47.4	47.4	47.4	47.4
<b>Total Liabilities</b>	<b>1,177.0</b>	<b>1,426.0</b>	<b>1,426.0</b>	<b>1,426.0</b>	<b>1,426.0</b>
Shareholders Equity	2,756.8	2,801.2	2,790.7	2,787.0	2,810.3
Minority Interest	14.6	13.5	13.5	13.5	13.5
<b>Total shareholder equity</b>	<b>2,771.4</b>	<b>2,814.7</b>	<b>2,804.2</b>	<b>2,800.5</b>	<b>2,823.8</b>
<b>Total liabilities and equity</b>	<b>3,948.4</b>	<b>4,240.7</b>	<b>4,230.2</b>	<b>4,226.4</b>	<b>4,249.7</b>
<b>CASH FLOW (SGD m)</b>					
<b>Cash flow from operations</b>	<b>180.5</b>	<b>166.3</b>	<b>196.8</b>	<b>199.3</b>	<b>200.4</b>
Capex	(0.1)	(0.2)	0.0	0.0	0.0
Acquisitions & investments	(215.5)	(636.6)	(7.0)	(7.0)	(7.0)
Disposal of FA & investments	0.0	0.0	0.0	0.0	0.0
Dividend income from associates	0.0	0.0	0.0	0.0	0.0
Other investing cash flow	0.8	1.8	1.8	1.8	1.8
<b>CF from investing activities</b>	<b>(214.8)</b>	<b>(635.0)</b>	<b>(5.2)</b>	<b>(5.2)</b>	<b>(5.2)</b>
Dividends paid	(144.2)	(96.5)	(144.9)	(147.3)	(148.3)
Interest expense	(28.9)	(31.9)	(35.8)	(35.8)	(35.8)
Change in debt	199.6	183.9	0.0	0.0	0.0
Equity raised / (purchased)	16.8	162.8	0.0	0.0	0.0
Other financial activities	297.9	(12.3)	(12.3)	(12.3)	(12.3)
<b>CF from financing activities</b>	<b>341.3</b>	<b>206.0</b>	<b>(193.0)</b>	<b>(195.3)</b>	<b>(196.4)</b>
<b>Effect of exchange rate changes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Net cash flow</b>	<b>306.9</b>	<b>(262.7)</b>	<b>(1.4)</b>	<b>(1.3)</b>	<b>(1.2)</b>

FYE 31 Aug	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	7.9	5.6	16.4	1.2	0.6
Net property income growth	7.9	1.2	17.5	1.2	0.6
Core net profit growth	3.4	(12.0)	44.0	1.5	0.7
Distributable income growth	1.7	(49.7)	98.9	1.6	0.7
<b>Profitability ratios (%)</b>					
Net property income margin	78.6	75.4	76.1	76.1	76.1
Core net profit margin	56.3	46.9	58.0	58.2	58.3
Payout ratio	112.2	63.1	88.7	88.8	88.8
<b>DuPont analysis</b>					
Total return margin (%)	64.8	nm	46.9	49.5	59.1
Gross revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	1.4	1.5	1.5	1.5	1.5
ROAE (%)	5.7	(2.4)	4.7	5.0	6.0
ROAA (%)	3.5	2.8	3.9	3.9	3.9
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	3.4	3.0	3.0	3.0	3.0
Net gearing (%) (excl. perps)	27.0	43.2	43.4	43.4	43.0
Net interest cover (x)	5.2	4.6	5.3	5.4	5.4
Debt/EBITDA (x)	6.8	8.6	6.8	6.7	6.7
Capex/revenue (%)	0.0	0.1	0.0	0.0	0.0
Net debt/ (net cash)	748.5	1,216.6	1,216.0	1,215.2	1,214.4
Debt/Assets (x)	0.28	0.31	0.31	0.31	0.31

Source: Company; Maybank

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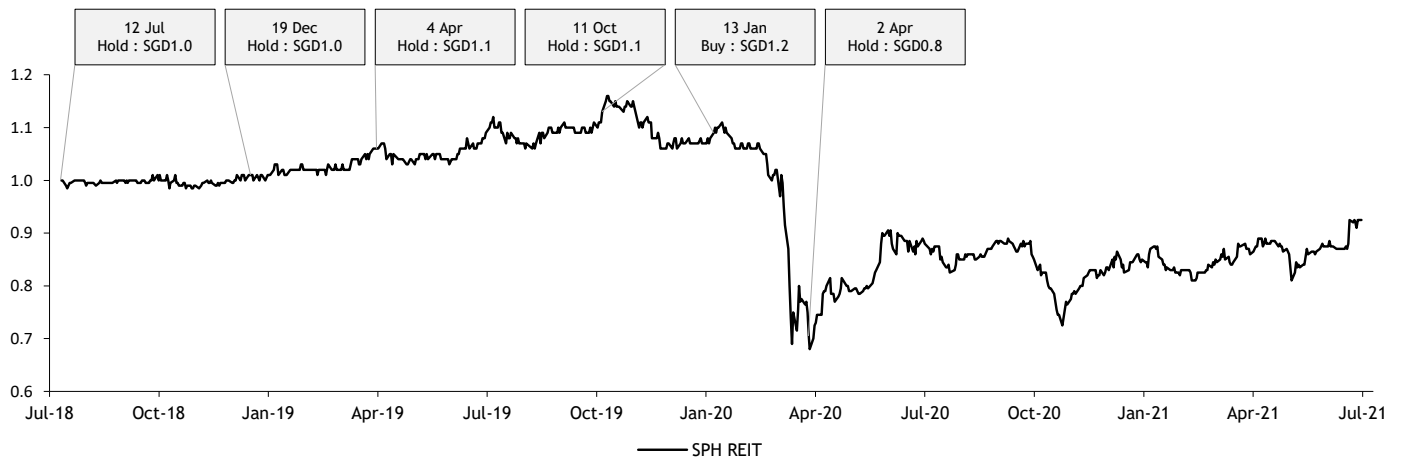
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## Historical recommendations and target price: SPH REIT (SPHREIT SP)



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