August 24, 2022

REITs

Singapore

ESR-LOGOS REIT (EREIT SP)

Growth On A New Lease

BUY

Share Price	SGD 0.41
12m Price Target	SGD 0.55 (+42%)

A newer new-economy play; Re-initiate SGD0.55 TP

ESR-LOGOS REIT (ELOG) has emerged from its merger with ARA Logos as one of the top 10 SREITs by free float, with higher contributions from new-economy AUM. We see visible growth drivers from: (1) quality AUM growth from new-economy assets; (2) stronger fundamentals and growth in Australia; (3) visible sponsor pipeline, supported by added debt headroom; (4) dividend yield readjustment to match up to industrial peers. Valuations are undemanding at 7.4% FY23E yield, and 0.6% DPU growth. We reinitiate coverage with a SGD0.55 TP (COE: 6.5%, LTG: 2%), suggesting 42% upside. BUY. Risks are: higher interest rates, high inflation, and macro uncertainties.

New-economy assets underpin growth outlook

ELOG has SGD5.5b AUM post-merger (vs. SGD3.3b), boosted by newly added new-economy assets. We see stronger rental income from new-economy assets (c.63% vs. 47% of effective gross rent pre-merger) due to pent-up demand caused by supply chain disruptions and relocation post-Covid recovery, and rising e-commerce. The addition of mature assets further increases occupancy (to 94.1% in 1H22 from 92% in 4Q21). We expect more functional upgrades from asset enhancement initiatives (AEI) to ride on the rental growth momentum.

Diversified footprint in developed markets

The SGD2.2b additional assets are in good locations in Singapore and Australia, which would help ELOG gain a stronger foothold in key Australian markets. We expect robust contributions from the Australia portfolio due to the strong fundamentals, underpinned by historical low occupancy. We see room for revaluation gains on the back of cap rates compression.

Robust balance sheet, growth backed by sponsor

Post-merger all-in cost of debt fell to 2.97% as of 1H22, and management targets a solid credit rating in 2H22 to further reduce the cost, given its larger AUM. A further 50 bps increase in cost of borrowings will negatively impact DPU by 0.7%. We see SGD958.5m debt headroom supporting acquisitions from its sponsor's visible pipeline in Japan and Australia, which would provide tailwinds for further AUM growth.

FYE Dec (SGD m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	230	241	344	402	429
Net property income	164	173	241	283	304
Core net profit	99	114	167	205	214
Core EPU (cts)	2.5	2.8	2.8	2.8	3.0
Core EPU growth (%)	(22.5)	11.9	1.6	(0.8)	7.9
DPU (cts)	2.8	3.0	3.0	3.0	3.1
DPU growth (%)	(30.2)	6.7	0.1	0.6	2.4
P/NTA (x)	1.0	1.2	1.0	1.0	1.0
DPU yield (%)	7.1	6.2	7.3	7.3	7.5
ROAE (%)	5.9	6.9	7.3	6.9	7.4
ROAA (%)	3.1	3.5	3.7	3.5	3.7
Debt/Assets (x)	0.44	0.42	0.32	0.32	0.32
Consensus DPU	-	-	3.0	3.0	na
MKE vs. Consensus (%)	-	-	(0.3)	0.3	na

Li Jialin
jialin.li@maybank.com
(65) 6231 5845

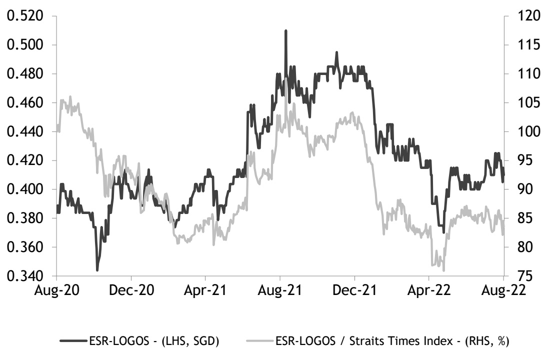
Company Description

ESR-LOGOS REIT operates as a real estate investment trust company, which invests in income-producing industrial properties.

Statistics

52w high/low (SGD)	0.51/0.37
3m avg turnover (USDm)	3.0
Free float (%)	78.9
Issued shares (m)	6,685
Market capitalisation	SGD2.7B
	USD2.0B
Major shareholders:	
TONG JIN QUAN	10.5%
ESR Singapore Pte Ltd.	5.0%
TONG YULOU	3.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	4	(14)
Relative to index (%)	(1)	2	(17)

Source: FactSet

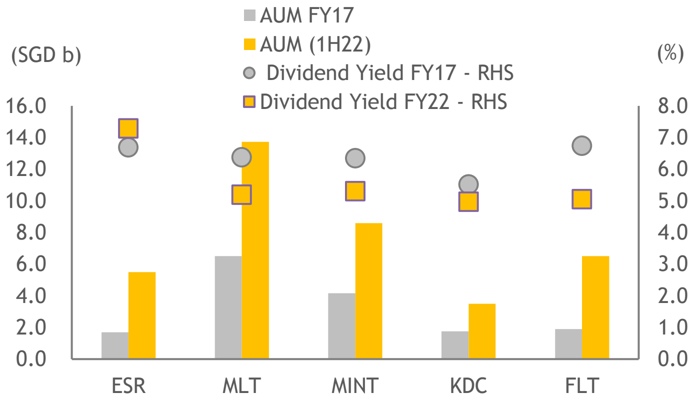
ESG@MAYBANK IBG
Tear Sheet Insert

SEE PAGE 40 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Value Proposition

- Singapore industrial REIT underpinned by AUM growth and 7.5% dividend yield, with potential for share price upward adjustment.
- Material portfolio exposure to logistics/warehousing (44% of FY22E revenue) and high-spec (13%) assets, set to capitalize on the sector's buoyant demand.
- Diversified footprints in Australia and sizeable portfolio (SGD748m in 1H22), well positioned to benefit from strong demand in Australian logistics/warehousing market.
- Potential credit rating to lower cost of borrowing and further support accretive acquisitions.
- Management sticks to AEI strategy, upgrading general industrial assets into higher-value high-spec space.

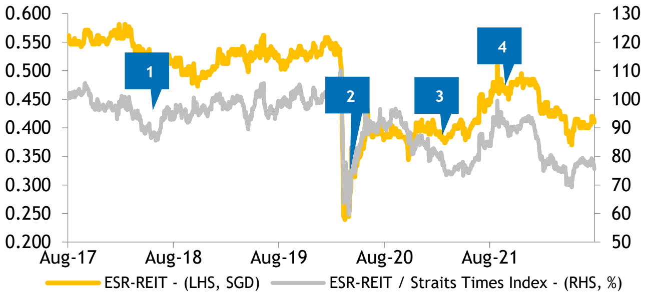
ELOG's 7.4% yield likely to compress following growth in AUM



Source: Maybank IBG Research

Price Drivers

Historical share price trend



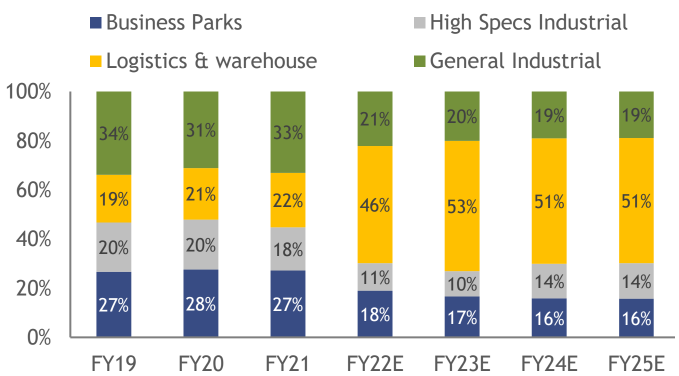
Source: Company, Maybank IBG Research

1. **May-18:** Announced merger with Viva Industrial Trust (VIT) at SGD0.96/VIT unit (paid 10% in cash; remainder in new ESR shares at SGD0.54/unit) to create fourth largest industrial S-REIT with SGD3b AUM.
2. **Jul-20:** Announced merger with Sabana REIT (SBREIT) via share swap (0.94x exchange ratio) to raise portfolio size and trading liquidity. Rejected by SBREIT unitholders (in Dec-20) due to disagreement of valuation.
3. **May-21:** Announced maiden overseas acquisition - 10% stake in ESR Australia's AUD1b logistics portfolio for AUD60.5m at 6.7% cap rate, fully funded via debt. Also raised SGD100m via private placement (SGD0.372/unit) for acquisition of new logistics asset (46A Tanjong Penjuru). Planned to raise additional SGD50m via preferential offer in Aug-21.
4. **Aug-21:** Announced merger with ARA LOGOS REIT via way of a trust scheme of arrangement, at an implied gross exchange ratio of 1.970x.

Financial Metrics

- Dividend yield is attractive at 7.4% as we re-base our figures on an enlarged AUM of SGD5.5b, and strong rental reversions within its logistics/warehouse and general industrial segment (FY21E: +6%). Expect occupancies to remain steady 94% in the future and for further DPU growth to be driven by more accretive acquisitions and AEI in logistics and high-spec segments (MKE FY22E: ~57% of revenue).Refinanced all debt expiring in FY22, with new WADE of 3.2 years and reduced interest cost of 2.97% as of 1H22 (4Q21: 3.31%).

NPI forecast



Source: Maybank IBG Research

Swing Factors

Upside

- Accretive acquisitions.
- Sooner than expected completion of AEI assets and/or stronger leasing demand.
- Further increase in overall leasing demand, driving improvements in both occupancy and rental reversions.
- Signing of new tenants to drive up occupancy at under-leased properties.

Downside

- Slowdown in economic activity or structural changes in supply chain norm in Singapore or Australia, reducing demand for L&W assets, given sizeable exposure.
- Termination of long-term leases causing loss of income.
- Weaker-than-expected leasing demand for business parks and general industrial assets, resulting in falling occupancy and rents.
- Sharper-than-expected rise in interest rates could increase cost of debt and negatively impact earnings.

jialin.li@maybank.com

ESG@MAYBANK IBG

jialin.li@maybank.com

Risk Rating & Score[1]	na
Score Momentum[2]	na
Last Updated	na
Controversy Score[3]	na

Business Model & Industry Issues

- ELOG draws on its available pool of funds to invest in industrial real estate, carry out asset enhancements and redevelop properties to optimise value for its unitholders. Its activities relating to permissible investments, leverage limits, and annual reporting requirements are regulated by the MAS under Singapore's code on collective investment schemes.
- The manager successfully maintained employee and tenant satisfaction at 78%/81% respectively despite the pandemic, whilst maintaining zero Covid-19 cases or work-related injuries and staying in compliance with social-economic laws and regulations.

Material E issues

- Implemented Environmental Policy and Green Procurement Policy in FY2021. The former outlines the manager's sustainability focuses.
- Reduced grid electricity consumption and consumption intensity by 5.5% YoY and 9.7% respectively in FY20. Installed rooftop solar panels on 12 properties under ELOG Solar Harvesting Programme. Targets 50% increase target in solar power generation by 2025 (from base year 2019).
- Targets net zero carbon for certain Singapore properties by 2030. 30/32 multi-tenanted buildings were "Water Efficiency Building" certified, up from 22 as of 2019, with water intensity also reduced by 6%.
- Targets GMC for all buildings undergoing AEI from 2019 onwards. Targets for GRESB benchmark through continued submission. Obtained ISO14001:2015 on Environmental Management System certification.
- No incidents of non-compliance with environmental regulations and laws.

Material S issues

- Zero Covid-19 cases or work-related injuries amongst employees by applying strict workplace safety measures.
- Zero material incidents of non-compliance with socio-economic laws and regulations.
- Employee satisfaction at 81% with a response rate of 94%. Transition to bi-weekly online activities such as workout classes and health talks helped cure social disconnect.
- Manager purchased cash vouchers from F&B tenants to help provide a boost in sales under COVID-19 Care Initiative.
- Grew tenant satisfaction from 69% in 2018 to 78% in 2021. 69% of employees are female, including Chairperson Ms. Stefanie Yuen Thio.

Key G metrics and issues

- Sponsor ESR Cayman (~14.4% stake) provides a strong and visible pipeline of assets and support, particularly for the REIT's growth ambitions outside of Singapore.
- Board comprises 8 directors (seven men; one woman), a sole CEO and executive director (Adrian Chui), three independent non-executive and three non-executive.
- Independent Chairman Stephanie Yuen Thio and other independent directors are unrelated to any members of management.
- Remuneration committee comprises 3 non-executive directors, mostly independent except for Mr. Jeffrey Perlman, whom is also Chairman of ESR Cayman.
- Audit Committee is mostly independent, comprising 3 non-executives.
- Management fee structure is in line with peers, with 0.5% base fee of deposited properties, 25% performance fee based on DPU growth (subject to high watermark), 0.5% divestment and 1% acquisition fee.
- Pay-out ratio averaged ~98.2% since listing, consistently above the 90% minimum threshold.

  Acquisitions have generally been DPU accretive on a pro forma basis.

[1]***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. [2]***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. [3]***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).

1. Investment thesis

1.1 New-economy assets underpin growth outlook

ESR REIT completed its merger with ARA LOGOS REIT in April 2022, boosting ELOG's exposure to new-economy assets to c.63% in effective gross rental (from 47% in 2021). ARA LOGOS REIT is a pure play in logistics and warehouses (L&W).

Post-merger, we forecast revenue to grow by 42%/17% YoY to c.SGD344m/SGD402m in FY22E/FY23E, on the back of additional income from L&W assets. We like ELOG's refreshed focus on new-economy assets, which could provide stronger rental growth. Supply chain disruptions and relocation, post-Covid recovery and rising e-commerce consumption will continue to drive demand for space. Aside from rental upside, the addition of mature assets further increased occupancy (to 94.1% in 1H22 from 92% in 4Q22). We also expect more functional upgrades from AEI projects to capitalize on the rental growth momentum.

1.2 Diversified footprint in developed markets

ELOG has extended its footprint overseas with SGD744m in AUM in Australia (16.5% of total AUM) post-merger. Its assets are in good locations in key Australian markets (Sydney, Melbourne and Brisbane), with strong demand for L&W space and rental growth post-Covid.

We see robust income contribution from its Australian assets, given the strong fundamentals, underpinned by historical low occupancy. We also see room for revaluation gains on the back of cap rates compression. Sponsor ESR Cayman is the third largest logistics and industrial owner in Australia, and it has a visible pipeline of SGD2b of assets for ELOG. We see potential AUM tailwinds from further acquisitions in Australia, as well as other developed APAC markets, such as Japan, where lower cost of capital provides for DPU-accretive deals.

1.3 Growth visibility supported by solid balance sheet

Post-merger, ELOG has an AUM of SGD5.5b, +c.67% from SGD3.3b in Dec 2021, which backs management's strategy of capital recycling and AEI. All-in cost of debt falls to 2.97% post-merger (as of 1H22), and is set to decline further upon obtaining credit ratings in 2H22. We see SGD958.5m debt headroom supporting deal flows, which would drive AUM and DPU growth.

1.4 Valuation

We value ESR-LOGOS REIT using DDM, based on stable income distributions from additional assets. Our SGD0.55 fair value implies 42% upside from its current share price and 43% total return potential. We estimate a DPU of SGD2.99 cts and SGD3.01 cts for FY22E and FY23E, implying a distribution yield of 7.4% and 7.4% for FY22E and FY23E, respectively. This translates to 1.36x P/BV.

Our sensitivity suggests that an acquisitions of SGD100m in Japan will at least be 0.6% accretive to DPU (2% COD, 50% debt and 4% NPI yield), while an acquisition of SGD200m in Singapore and Australia will at least be 0.2% accretive to DPU (4.5% COD, 60% debt and 4.5% NPI yield).

1.5 Risk

Key risks to our valuation are: further interest rate increases given ELOG's hedging level, delays to construction affecting growth and adverse economic conditions.

2. ELOG's transition

2.1 Key business segments

ELOG's initial portfolio (then CIT) when listed comprised 27 properties in the L&W and industrial sectors. Over the years, the manager constantly re-adjusted its portfolio to remain relevant and tap into growth in the industrial sector.

The past five years have seen ELOG pivoting away from general industrial assets (2017: 50.5% vs. 1H22: 19.5% of GRI). Meanwhile, ELOG has focused on rebalancing its presence in other segments: business/science parks (2017: 2% vs. 1H22: 17.8% of GRI, with three acquisitions in FY19 pumping up its weightage), L&W (2017: 27% vs. 1H22: 50.9% post-merger with ARA LOGOS) and high specs (2017: 20.6% vs. 1H22: 11.8%).

2.2 Refreshed portfolio post-merger

In FY22, ELOG repositioned itself as an L&W-heavy REIT through merger with pure L&W player ARA-LOGOS REIT, by way of a trust scheme of arrangement, at an implied gross exchange ratio of 1.970x. The transaction was funded by cash (10%) and consideration units (90%), including a SGD150m subordinated perpetual (at 5.5%) and 2,619.1 million units (43.3m units issued at SGD0.4170 on 17 May 2022 for acquisition and management fees, and 2575.8m units at SGD0.4924 on 28 Apr 2022).

Fig 1: Post-merger, the portfolio has become more resilient

	Pre-merger	Post-merger (1H22)
Portfolio		
Total Assets (SGD b)	3.3	5.5
No. of property	58	83
No. of fund properties	36	41
New economy assets as % of Effective Gross Rent (EGR)	47.0%	62.7%
Freehold properties as % of AUM	0.0%	6.5%
Geographical diversification - % of Australia exposure	0.0%	13.6%
Extend land lease expiry profile (years)	31	38.5
Leasing		
Tenants	360	437
Portfolio occupancy (%)	91.7%	94.1%
Longer weighted average lease expiry (years)	2.8	3.2
Top 10 ESR-LOGOS REIT tenants by rental income (%)	29.4%	27.3%

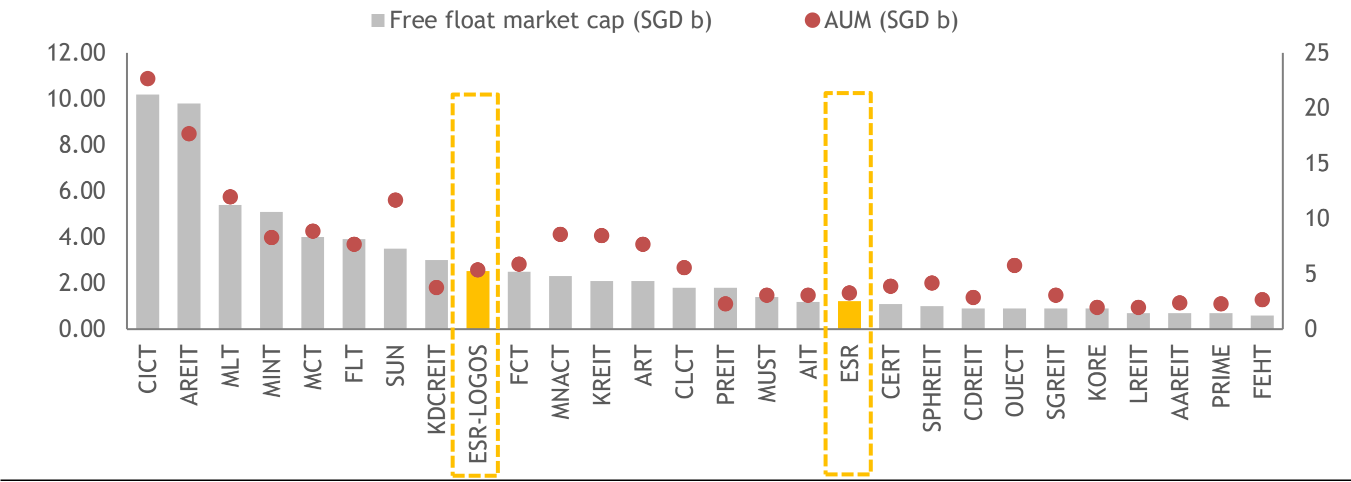
Source: Company data, Maybank IBG Research

ELOG's portfolio now consists of 83 income-producing assets in Singapore (62 assets) and Australia (21 assets), alongside three Australia property funds and two JVs (49% stake in 48 Pandan Rd and 10% stake in EALP). Post-merger, ELOG has a stronger and more resilient portfolio with a larger asset base (SGD5.5b vs. SGD3.3b pre-merger), more diversified income stream (13.6% from Australia vs. 0%), and more assets with longer underlying land lease (38.5 years vs. 31 years) and freehold assets (6.5% by value vs. 0%). The merger significantly increased ELOG's presence in Australia's L&W markets.

ELOG's operating metrics have improved too, as it now has a larger tenant base (437 vs. 360), higher occupancy (94.1% vs. 91.7%) and a longer weighted average lease expiry (WALE of 3.2 years vs. 2.8). Its top 10 tenants contribute 27.3% of total rental income (vs. 29.4%), reflecting a more diversified and healthier leasing performance.

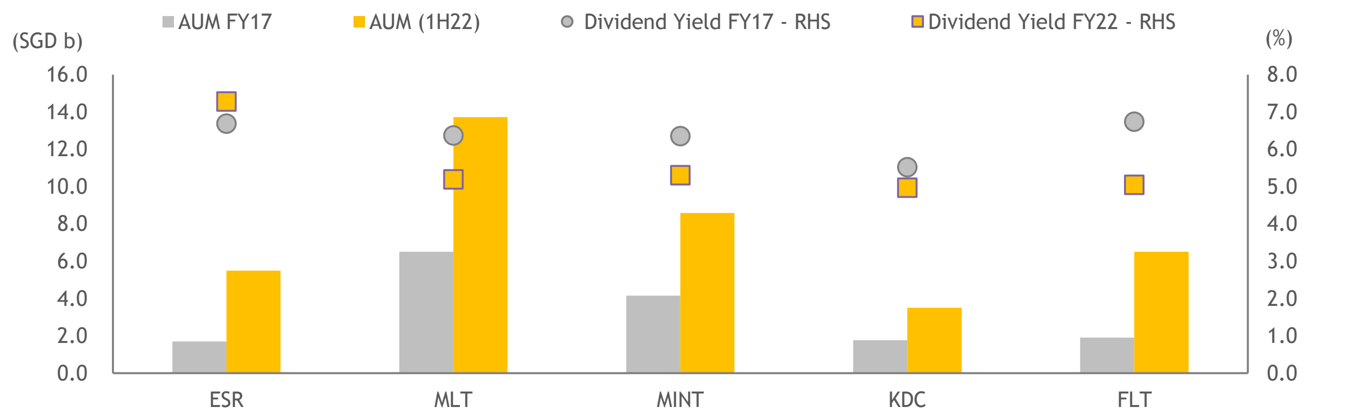
The transaction has significantly increased ELOG's liquidity. ELOG's market capitalisation/free float has increased to SGD2.7b/SGD2.5b, ranking it among the top 10 industrial REITs listed in Singapore. This boosts ELOG's daily liquidity up to 30m units (in May and June), and an average of 10m units have been traded daily since the merger.

Fig 2: ELOG is the top 10 largest SREIT by free float market cap



Source: Company data, Maybank IBG Research

Fig 3: ELOG is the ninth largest SREIT by free float market cap



Source: Maybank IBG Research

Meanwhile, a larger AUM provides added room for management to practice AEI and capital recycling to unlock assets' potential without a sharp decline in rental income in the near term. We see five assets achieving Temporary Occupation Permit (TOP) and coming off AEI, while 6 assets undergoing or commencing AEI. Management has guided for three more potential upgrades. In addition, ELOG has unlocked SGD188.8m via seven divestments at an average 7.5% premium above book value since 2021. Adding back to the AUM, ELOG acquired 46A Tanjong Penjuru and 10% in EALP, both DPU-accretive (+0.4% / +2.9%).

Fig 4: Recent notable acquisitions

Property	Announcement date	Completion date	NLA (mn sf)	Interest (%)	Acquisition price (SGD m)	DPU accretion (%)
46A Tanjong Penjuru	6/5/2021	29/6/2021	0.5	100%	124.7	0.4%
ESR Australia Logistics Partnership - 33 income producing properties; 2 under development and two land parcels)	6/5/2021	14/5/2021	1.3	10%	64.9	2.9%

Source: Company data, Maybank IBG Research

Fig 5: Recent notable divestments

Property	Announcement date	NLA (mn sf)	Land tenure remaining (years)	Sale price (SGD m)	Premium/ discount to valuation (%)	Gain (SGD m)
Pandan Logistics Hub	7/29/2022	0.3	17.2	43.5	15.1	5.7
3 Sanitarium Drive	5/25/2022	0.3	11.0	53.4	18.5	8.4
45 Changi South Avenue 2	3/14/2022	0.1	44.0	11.1	7.8	0.1
28 Senoko Drive	1/14/2022	0.2	45.0	12.0	(8.4)	(1.1)
3C Toh Guan Road East	4/28/2021	0.2	30.1	53.0	5.0	2.5
11 Serangoon North	4/28/2021	0.1	36.3			

Source: Company data, Maybank IBG Research

Fig 6: Overview of industrial REITs

Item	Freq	ELOG	AREIT	MINT	MLT	FLT	KDCREIT	AAREIT	SSREIT
Mkt Cap (SGD m)	Spot	2,736	12,561	7,150	8,380	5,131	3,332	975	471
Sponsor	A	ESR Cayman	Capitaland (Temasek)	Temasek	Temasek	Frasers Prop (TCC Group)	Keppel T & T (Temasek)	AIMS Financial	ESR Cayman
Sponsor stake (%)	A	14.4%	18.0%	26.0%	31.7%	24.6%	19.6%	7.0%	20.0%
FYE		31-Dec	31-Dec	31-Mar	31-Mar	30-Sep	31-Dec	30-Jun	31-Dec
Number of properties									
Singapore	**Q**	**62**	**96**	**85**	**53**	**1**	**6**	**26**	**18**
Australia	Q	21	34	-	13	65	2	3	-
UK	Q	-	49	-	-	4	3	-	-
US	Q	-	41	56	-	-	-	-	-
Hong Kong	Q	-	-	-	9	-	-	-	-
Japan	Q	-	-	-	19	-	-	-	-
China	Q	-	-	-	43	-	3	-	-
Others	Q	-	-	-	48	35	8	-	-
Total	Q	83	220	141	185	105	22	29	18
Portfolio Overview									
NLA (m sf)	**Q**	**22.6**	**50.1**	**259.4**	**85.0**	**28.0**	**2.5**	**8.4**	**3.5**
Land tenure (years)	Q	38.5	43.1	36.1	42.9	>75.0	79	56.8	28.9
Freehold of AUM (%)	Q	6.5%	37.4%	47.8%	29.4%	64.6%	29.2%	39.5%	-
Portfolio Value (SGD m)									
Singapore	**A**	**4752**	**10000**	**4321**	**2603**	**654**	**1950**	**1564**	**872**
Australia	A	748	2400	0	1093	3369	329	658	0
UK	A	0	1700	0	0	700	214	0	0
US	A	0	2500	4479	0	0	0	0	0
Hong Kong	A	0	0	0	2902	0	0	0	0
Japan	A	0	0	0	1445	0	0	0	0
China	A	0	0	0	2772	0	144	0	0
Others	A	0	0	0	2199	1818	865	0	0
Total Portfolio Value	A	5500	16600	8800	13014	6541	3500	2222	872
Asset type (AUM)									
Business/Science Park (%)	A	17.8%	40.0%	6.5%	-	24.2%	-	30.6%	
High-specs/ Hi-tech (%)	A	11.8%		16.3%	-	-	-	6.9%	63.2%
Data Centres (%)	A	-	9.0%	54.3%	-	-	100.0%		
Logistics/ Warehouse (%)	A	50.9%	25.0%	-	100.0%	66.0%	-	42.3%	28.1%
Light & General Ind. (%)	A	19.5%	19.0%	22.9%	-	-	-	20.2%	8.7%
Others (%)	A	-	7.0%	-	-	9.8%	-		
Check		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Metrics									
Gross income (SGD m)	A	241.3	1,226.5	610.1	678.6	469.3	271.1	142.4	81.9
NPI (SGD m)	A	173.3	920.8	472.0	592.1	355.2	248.2	103.2	52.0
Portfolio Occupancy	Q	94.1%	94.0%	95.3%	96.8%	96.1%	98.2%	97.9%	88.2%
Number of tenants	Q	453	>1600	>2000	859	310	83	201	151
Top 10 tenants of GRI (%)	Q	27.3%	17.1%	29.8%	24.4%	23.5%	77.5%	55.2%	41.8%
WALE									
Portfolio WALE	Q	3	3.7	4.1	3.4	4.4	7.6	4.9	2.8
Lease Expiry Profile (% GRI)									
FY22	**Q**	**18.0%**	**10.2%**	**10.6%**	**26.7%**	**0.9%**	**5.0%**	**11.3%**	**17.1%**
FY23	Q	26.3%	21.4%	18.3%	19.3%	13.1%	12.8%	22.4%	30.3%
FY24	Q	16.9%	16.4%	16.4%	19.0%	13.4%	23.2%	14.0%	19.1%
>FY25	Q	38.8%	52.0%	54.7%	35.0%	72.6%	59.0%	52.3%	33.5%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Capital management									
Gearing (%)	**Q**	**40.6%**	**36.7%**	**38.4%**	**37.2%**	**29.2%**	**35.3%**	**37.0%**	**33.4%**
Avg cost of debt (%)	Q	3.0%	2.1%	2.5%	2.3%	1.6%	1.9%	2.7%	3.4%
Fixed debt (%)	Q	66.2%	80.0%	72.3%	80.0%	80.6%	76.0%	88.0%	75.3%
Weighted avg debt to maturity (years)	Q	3.2	3.9	3.7	3.7	3	4.1	3.8	2.4

Source: Company data, Maybank IBG Research

3. Quality AUM growth accretive to DPU

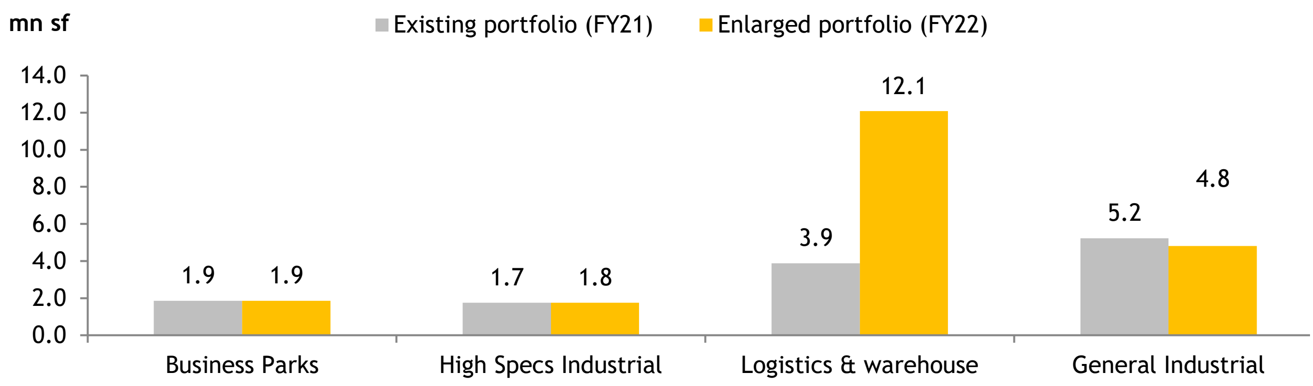
3.1 Enlarged portfolio of quality assets

The merger saw ELOG grow its total assets from SGD3.3b as at end Dec FY21 to SGD5.5b in Jun FY22, up c.67%. The enlarged portfolio underpins strong earnings growth for FY22E. Our FY22 revenue forecast is SGD343.6m (vs. SGD241.3m in FY2021). The increase in revenue is largely driven by the mature assets acquired through the merger.

The upsized ELOG has a total NLA of 21.3m sf, up from 12.7m sf with 69% contributed by the newly acquired L&W assets. Among the new top 10 assets by NLA, six assets were from ARA LOGOS REIT.

Pre-merger, the target assets had a stable occupancy rate of 99.6% and a WALE of 4.4 years. Six months into the new ELOG, we have seen the newly added assets contributing to the portfolio occupancy level, up from 91.4% in Dec FY21 to 94.1% in 1H22. Portfolio WALE rose from 2.7 years in FY21 to 3 years. 196,035 sqm of new and lease renewals were signed in 1H22.

Fig 7: Portfolio net lettable area (NLA) increased significantly after the merger



Source: Company data, Maybank IBG Research

Fig 8: Top 10 assets by NLA post-merger

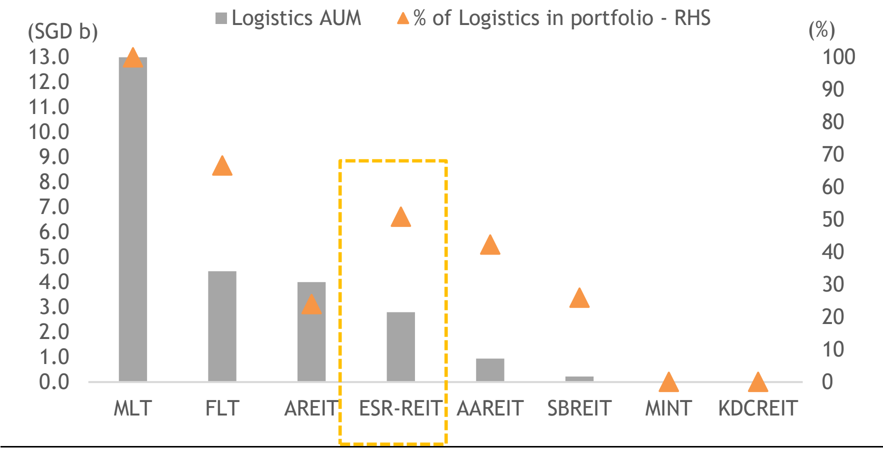
Top 10 assets by NLA	NLA (m sf)	Location	Pre-Merger
ALOG Commodity Hub	2.2	SG	ARA
DHL Supply Chain ARC	0.9	SG	ARA
24 Jurong Port Road	0.7	SG	ESR
3 Pioneer Sector 3	0.6	SG	ESR
46A Tanjong Penjuru	0.5	SG	ESR
15 Greenwich Drive	0.5	SG	ESR
Schenker Megahub	0.4	SG	ARA
182-198 Maidstone Street Altona (Melbourne)	0.4	AU	ARA
41-51 Mills Road (Melbourne)	0.3	AU	ARA
Cache (ALOG) Changi Districentre 1	0.3	SG	ARA

Source: Maybank IBG Research

3.2 Bulking up in logistics

With ARA-LOGOS' L&W assets added into the portfolio, ESR becomes the fourth-largest in terms of L&W assets by value among industrial SREIT peers (Fig 8).

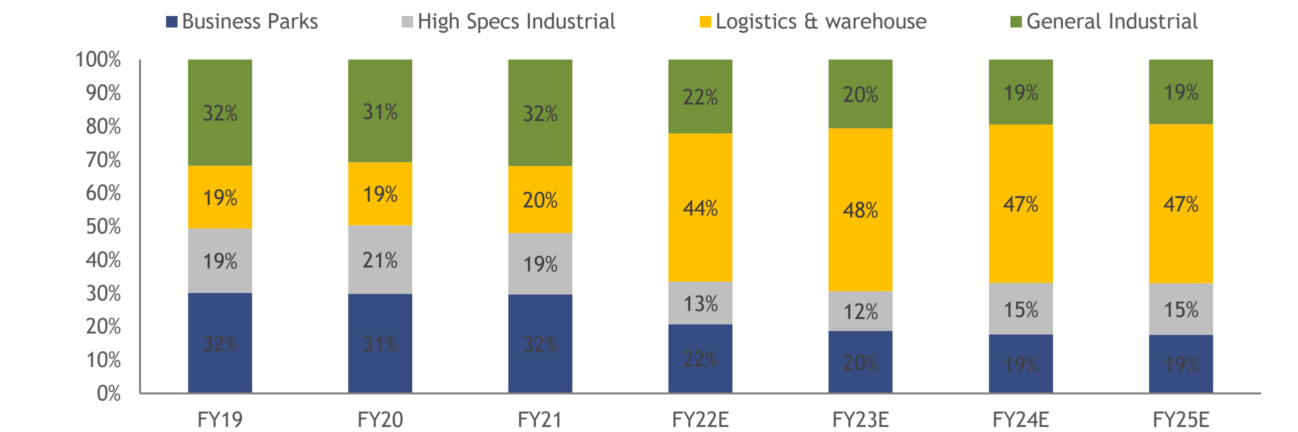
Fig 9: ELOG is the fourth-largest industrial REIT by logistics assets valuation



Source: Company data, Maybank IBG Research

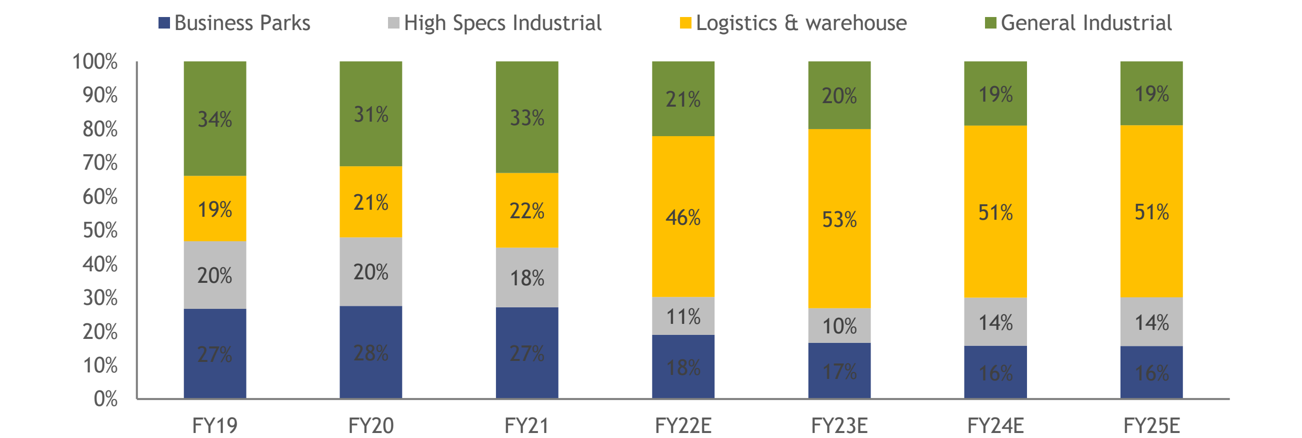
The large 69% increase in NLA from L&W assets will make the segment the main pillar in ELOG's earnings. Our FY22 revenue forecast for each business segments suggests that L&W assets will see c.216% YoY growth in revenue to SGD152.5m from a lower base of SGD48.3m in FY21, while general industrial /hi-spec assets would see c. 1.4%/1.7% decrease YoY, with BP earnings expected to edge up by c.0.2% YoY. L&W assets account for 44% of the estimated portfolio earnings (vs 20% in FY21).

Fig 10: Revenue contribution forecasts by asset class



Source: Company data, Maybank IBG Research

Fig 11: New-economy assets (logistics & warehouse 46%, hi-specs 11%) account for 57% of NPI in our FY22 forecast



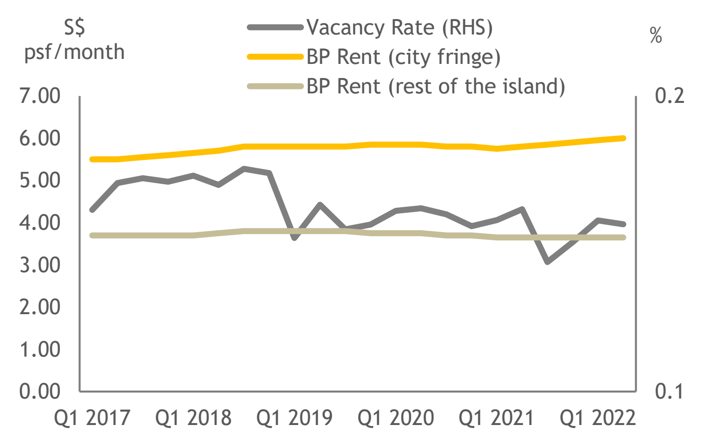
Source: Maybank IBG Research

The upside of a larger portfolio weight in L&W in our view is most visible in price drivers – stronger demand for L&W space strengthens revenue, while the new-economy L&W tenant base allows ELOG to capitalise on the evolving logistics sector, providing stronger rental reversion.

Demand for L&W space remains strong in Singapore. The 2Q22 JTC industrial rental index rose 1.5%/3.4% QoQ/YoY, led by ground floor warehouse rental increase of +1.8%/+6.9% QoQ/YoY. ELOG's management has guided for a strong portfolio reversion of 6-7% in FY22E (2-4% in FY23E), mainly from lease renewals for L&W assets.

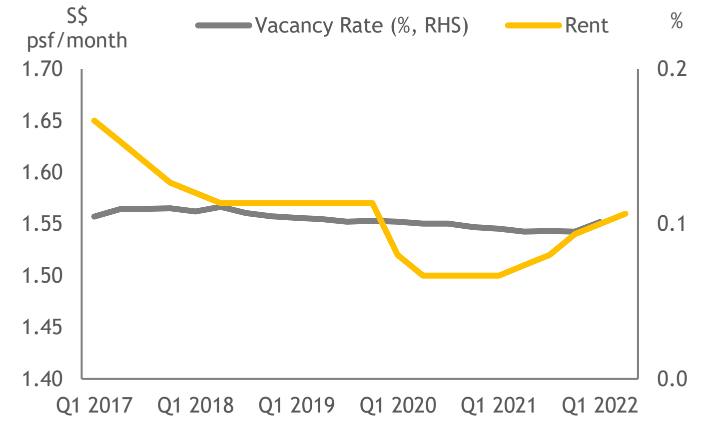
One thing to note is that, while ELOG is bulking up in L&W sector, it's tapering its general industrial assets through a series of divestments in Singapore. We forecast general industrial assets to contribute SGD75.9m in FY22E, a SGD1.1m decrease from FY21. The series of divestments of general industrial assets since 2021 will take out 335,642 sq ft (including 9 Tuas View Crescent, 28 Senoko Drive and 45 Changi South Avenue 2) from ELOG's portfolio. With the recent AEI of 195,823 sqft at 21B Senoko Loop, we factored in a dip of 531,465 sq ft NLA in general industrial assets, which translates into SGD1.1m drop in our forecast.

Fig 12: Rent from business park assets remain flat (+0.8% QoQ in city fringe; 0% QoQ in rest of island)



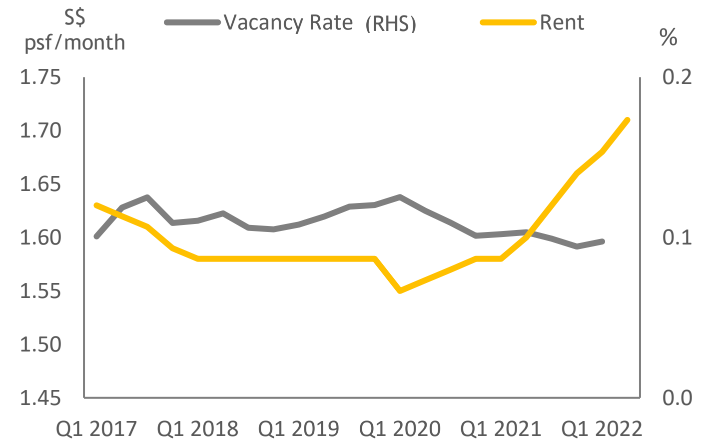
Source: CBRE, JTC

Fig 13: Continued recovery in rents for general industrial assets from a lower base (+0.6%/+3.3% QoQ/YoY)



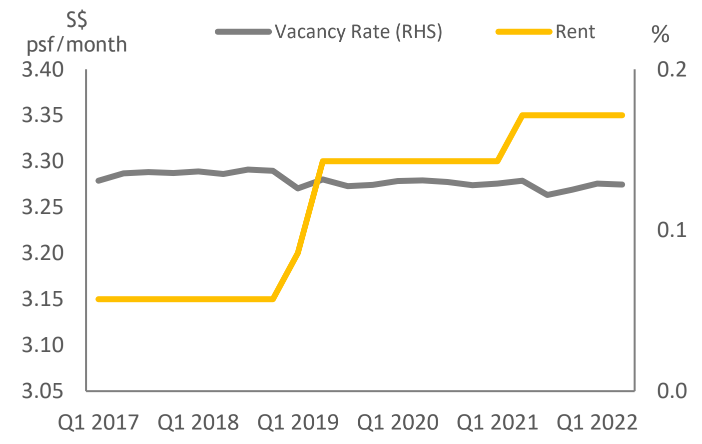
Source: CBRE, JTC

Fig 14: Rent for warehouse assets grew strongly in 2Q22 (+1.8%/+6.9% Q-o-Q/Y-o-Y)



Source: CBRE, JTC

Fig 15: Gradual upward adjustment in rent for hi-specs assets



Source: CBRE, JTC

3.3 Higher exposure, stronger growth outlook

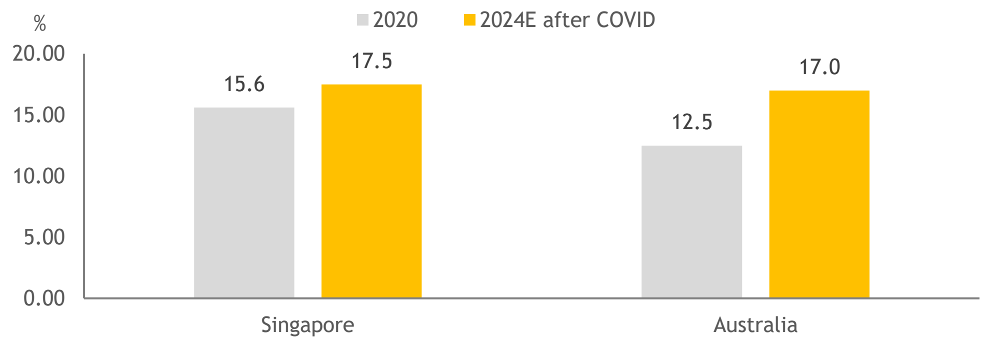
Post-merger, ELOG increased its exposure to high-specs industrial and logistics / warehouse assets. We forecast the combined revenue to rise from c.39% in FY21 to c. 57% FY22E. The newly acquired assets bring some quality names into ELOG's tenant pool, including ACFS Port Logistics, DHL Singapore and Schenker Singapore, which are among the top 10 ELOG tenants by rental income.

The shift in focus to L&W assets came as no surprise, given that it's aligned with the new-economy theme of the common sponsor, ESR Cayman. The sponsor has strong partnerships with big players in the e-commerce realm and management estimates for a new-economy assets pipeline of USD59b as of YE2021.

This comparative advantage of ELOG is arguably magnified in times of uncertainty in the global supply chain, where just-in-case replaces just-in-time as the new norm. Demand for prime L&W space has flourished in ELOG's two markets, namely Singapore and Australia. Both third-party logistics (3PLs) and industrial end-users in Singapore are actively seeking space to meet pent-up demand from consumers and businesses ramping up production amid Singapore's re-opening.

The heated demand from re-opening is coupled with longer-term, sustainable demand from e-commerce businesses in Singapore and Australia. The pandemic has profoundly shifted people's consumption patterns. With e-commerce penetration rate jumping across all developed markets, consumers now demand express delivery experience.

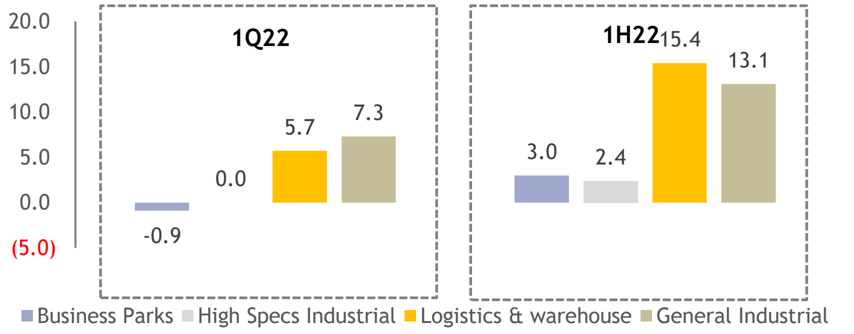
Fig 16: Post-Covid e-commerce penetration rate growth in Singapore and Australia



Source: Company data, Maybank IBG Research

The impact from increased e-commerce is seen not only in demand for regional logistics hub, but also for infill logistics space, from upstream logistics players, such as 3PLs and cold chain service providers, to downstream players such as last-mile couriers. Strong demand has prompted some tenants to seek space in general industrial space, according to CBRE Research. This is in line with the strong rental growth in ELOG general industrial assets (+13.1% in 1H22), which came in only behind the 15.4% rental growth in logistics assets.

Fig 17: +11.4% positive rental reversion for ELOG's portfolio in 1H22, led by logistics (+15.4%) and general industrial assets (+13.1%)



Source: Company data, Maybank IBG Research

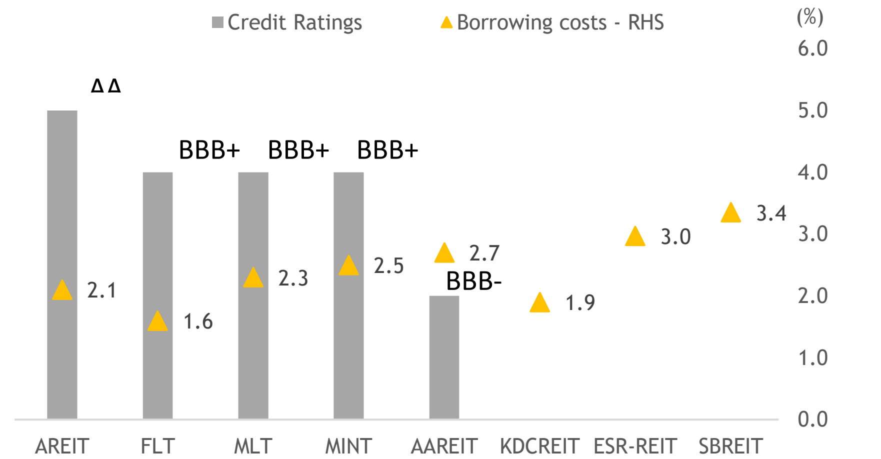
The confluence of demand factors underpin a stronger growth outlook for ELOG's L&W assets. We assume a 6.0%/7.0% positive rental reversion for FY22E/FY23E for ELOG's L&W assets in Singapore, while giving its Australian L&W assets a 3%/3% annual escalation assumption in FY22E/FY23E.

3.4 Better credibility, higher margins

The merger costs ELOG an aggregate scheme consideration of SGD 1409.3m, not including fees such as upfront land premium, refinancing of debts and redemption of perps. Despite the cost, the quest for growth has been well calculated and diligently considered. Being the 9th largest S-REIT by free float market cap, ELOG now enjoys some perks of being in the large-size REIT league. The all-in cost of debt in 1H22 fell to 2.97% (vs. 3.3% in 1Q22).

Management guided for a credit rating exercise in 2H22, joining its industrial peers, such as MLT, FLT and MINT. ELOG is targeting a BBB or BBB+ rating, which is expected to further lower the borrowing costs and help gain access to more funding sources.

Fig 18: Industrial SREITs obtaining credit ratings tend to have lower borrowing cost



Source: Maybank IBG Research

This translates to 1-2 notches improvement from its most recent credit rating in 2018 of BBB- by Moody's, when the REIT was at an AUM of SGD 1.7b. Management sees chances in accessing a larger capital pool in the bond markets, negotiating for longer loan duration, and most importantly, reducing debt expenses. The credit rating is estimated to lower ELOG's margins by 30-40 bps, mitigating potential further interest rate hikes in 2H22. If successful, it will translate to a saving on debt expenses and higher margins for FY22E, given that ELOG has c.34.8% of debt unhedged.

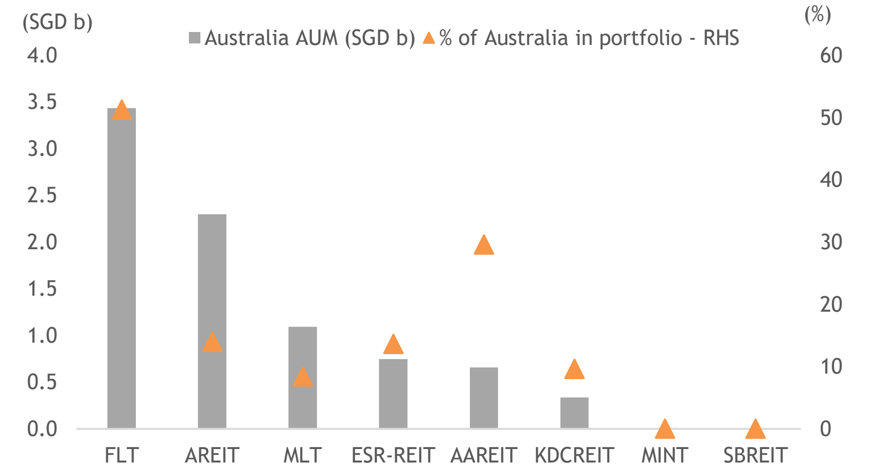
4. Deepening its footprint in Australia

4.1 ELOG's presence in Australia

ELOG acquired 10.0% of ESR Australia Logistics Partnership (EALP) from its sponsor, ESR Cayman in May 2021. This acquisition marks the first overseas venture by ELOG, which was followed by the merger with ARA LOGOS in Oct 2021. In 2021, ARA Logos had SGD1.8b in AUM with 55% in Singapore and 45% in Australia. It has 25 logistics and warehouse assets (including 5 fund properties) in three key Australian markets (Sydney, Melbourne and Brisbane).

Following the completion of the merger, ELOG has increased its Australia exposure from zero to an AUM of SGD744m within a very short span of time, ranking it the fourth largest by Australian exposure among its industrial SREIT peers.

Fig 19: Industrial SREIT peers with Australian exposure



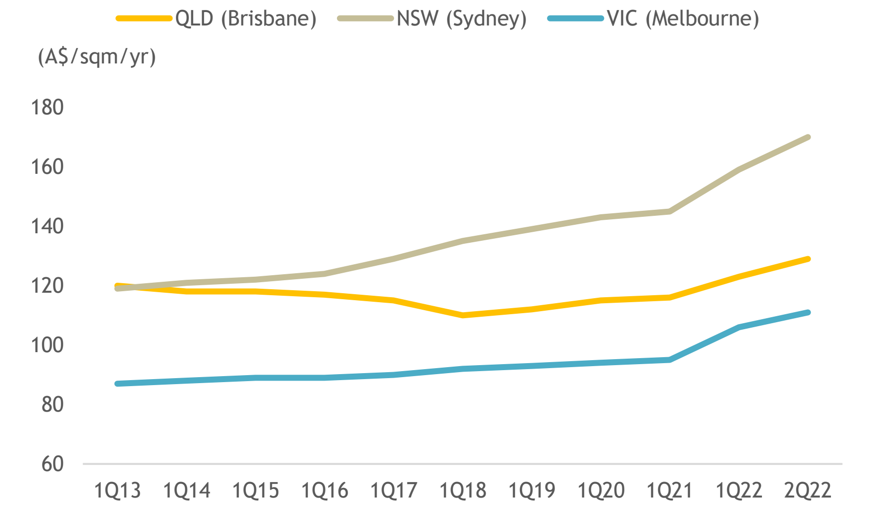
Source: Maybank IBG Research

Fig 20: Industrial SREITs' presence in key Australian markets

Item	ELOG	FLT	AREIT	MLT	AAREIT	KDCREIT
Mkt Cap (SGD m)	2,736	5,131	12,561	8,380	975	3,332
Sponsor	ESR Cayman	Frasers Property (TCC Group)	Capitaland (Temasek)	Temasek	AIMS Financial	Keppel T & T (Temasek)
Sponsor stake (%)	14.4%	24.6%	18.0%	31.7%	7.0%	19.6%
FYE	31-Dec	30-Sep	31-Dec	31-Mar	30-Jun	31-Dec
Number of Logistics & Industrial properties in Australian Cities						
Sydney	1	16	10	5	2	2
Melbourne	9	32	13	6	-	-
Brisbane	10	12	5	2	1	-
Perth	-	1	1	-	-	-
Others	-	-	-	-	-	-
Total	20	61	29	13	3	2
Australian Portfolio Overview						
NLA (m sqm)	0.31	1.31	0.68	0.35	0.10	0.26
Australian AUM	748.00	3368.51	2400.00	1093.18	657.71	329.00

Source: Company data, Maybank IBG Research

Fig 21: Net face rents rose sharply in all three key markets

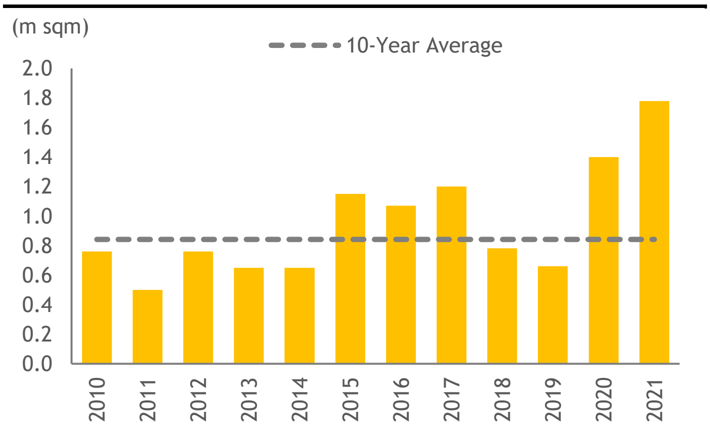


Source: CBRE, Maybank IBG Research

Sydney contributed 16% of FY21 Australian revenue, and we forecast it to contribute 10% in FY22E, given the sale of 3 Sanitarium Drive was completed in July 2022. After the sale, there is one master lease asset in Sydney (127 Orchard Road), valued at SGD66.8m. 127 Orchard Road is located in the southwestern region of Sydney, where transformation comes from both infrastructure upgrades and functional relocation of industrial tenants (from South and North Sydney). In FY21, the submarket saw a -6.4% decrease in vacancy.

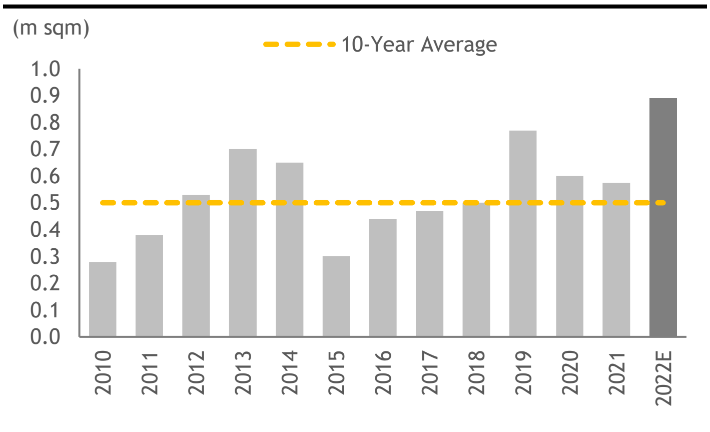
The metropolitan area has the lowest vacancy rate globally (+0.3%) due to strong gross take-up of well above the 10-year average, from the logistics, e-commerce and food sectors in FY20-FY21. This is coupled with falling supply since FY19. Although the metropolitan area is expecting a rebound in supply (0.87m sqm) in 2022, the new supply is unlikely to cool down the market as 73% has already been pre-committed (as of 2Q22). Any sudden increase in supply post-2022 is also less likely, mainly due to the lack of zoned land supply. Sydney has the highest prime net face rent in Australia, at AUD170 psm pa, as of 2Q22.

Fig 22: Sydney industrial gross take-up (m sqm)



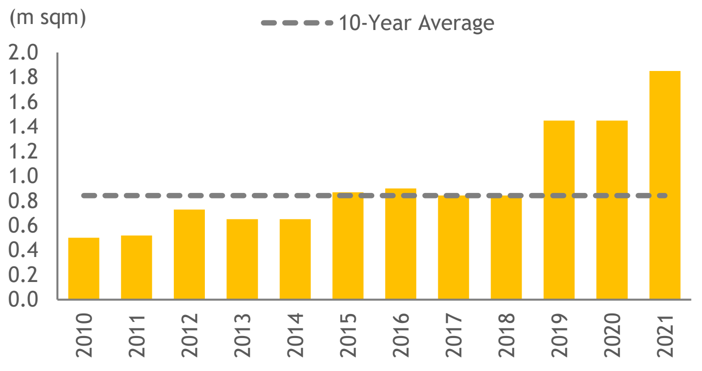
Source: CBRE, Maybank IBG Research

Fig 23: Sydney industrial supply (m sqm)



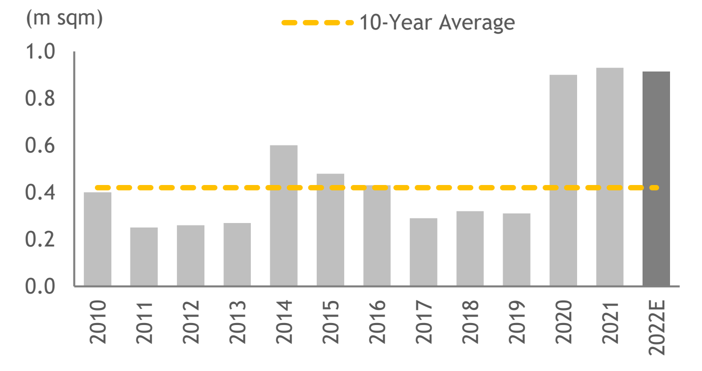
Source: CBRE, Maybank IBG Research

Fig 24: Melbourne industrial gross take-up (m sqm)



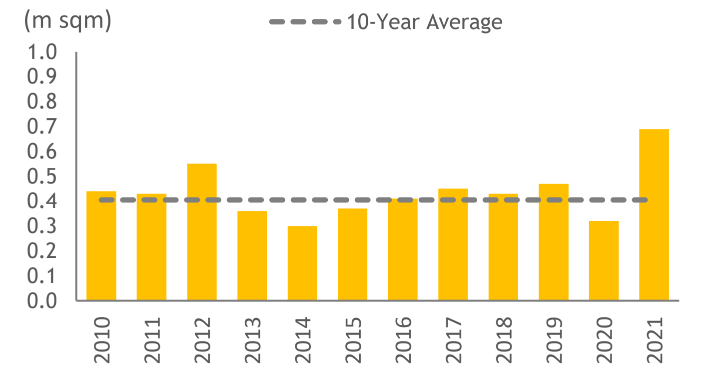
Source: CBRE, Maybank IBG Research

Fig 25: Melbourne industrial supply (m sqm)



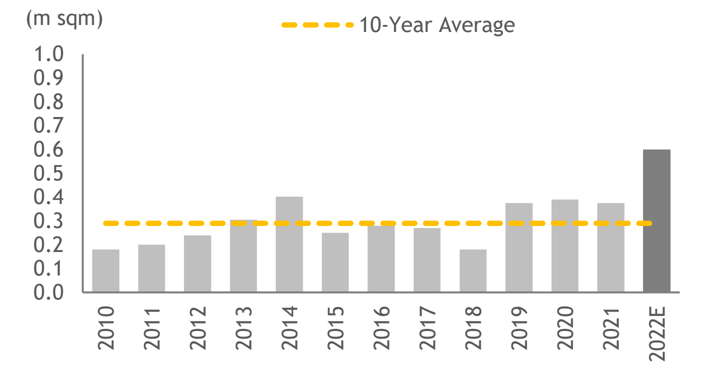
Source: CBRE, Maybank IBG Research

Fig 26: Brisbane industrial gross take-up (m sqm)



Source: CBRE, Maybank IBG Research

Fig 27: Brisbane industrial supply (m sqm)



Source: CBRE, Maybank IBG Research

Fig 28: Australia's key logistics and warehouse markets

	Market	Precinct	Market	Precinct	Precinct	Precinct	Market	Precinct	Precinct
Leasing markets	Sydney	Southwest	Melbourne	North	West	Southeast	Brisbane	South	POB
A$/sqm p.a.	166	129	97	88	89	103	113	115	118
12 month change (%)	8.0	4.5	6.6	1.8	9.7	9.3	3.6	3.1	6.8
Prime net face rents in 2Q22 (A$/sqm p.a.)	170	-	111	95	100	113	129	119	129
4Q22 Vacancy Rate (%)	1.9	0.3	2.7	5.8	3.2	0.3	2.6	2.2	2.5
Vacancy change Y-o-Y (%)	(2.9)	(6.4)	(1.0)	(0.9)	(0.6)	(2.2)	(3.3)	(6.5)	(2.4)
Pre-commitment (as at 4Q21)	67%		64%				44%		
Investment market									
1H22 Cap rates (%)	3.68	3.68	3.90	3.90	3.90	3.90	4.25	4.25	4.25
Cap rate change H-o-H (%)	(0.04)	(0.04)	(2.05)	(2.05)	(2.05)	(2.05)	(0.20)	(0.20)	(0.20)

Source: CBRE, Maybank IBG Research

Fig 29: Australia's key logistics and warehouse markets

	Market	Precinct	Market	Precinct	Precinct	Precinct	Market	Precinct	Precinct
Leasing markets	Sydney	Southwest	Melbourne	North	West	Southeast	Brisbane	South	POB
A$/sqm p.a.	166	129	97	88	89	103	113	115	118
12 month change (%)	8.0	4.5	6.6	1.8	9.7	9.3	3.6	3.1	6.8
Prime net face rents in 2Q22 (A$/sqm p.a.)	170	-	111	95	100	113	129	119	129
4Q22 Vacancy Rate (%)	1.9	0.3	2.7	5.8	3.2	0.3	2.6	2.2	2.5
Vacancy change Y-o-Y (%)	(2.9)	(6.4)	(1.0)	(0.9)	(0.6)	(2.2)	(3.3)	(6.5)	(2.4)
Pre-commitment (as at 4Q21)	67%		64%				44%		
Investment market									
1H22 Cap rates (%)	3.68	3.68	3.90	3.90	3.90	3.90	4.25	4.25	4.25
Cap rate change H-o-H (%)	(0.04)	(0.04)	(2.05)	(2.05)	(2.05)	(2.05)	(0.20)	(0.20)	(0.20)

Source: CBRE, Maybank IBG Research

Melbourne contributed 46% of total Australian income in FY21 and 32% in FY22, from 5 master-lease and 4 multi-tenanted assets. All 9 assets have a high occupancy of 100% except for 41-45 Mills Rd with 95% occupancy (vs. 98.9% in Melbourne). Melbourne has seen an above-average gross take-up for the past three years, with recent rounds in demand mainly coming from logistics (45% of leasing transactions), manufacturing (19%) and retail (15%) in 1H22. The prime net face rent in 2Q22 was AUD111 psm p.a., with the residential submarket - southeast precinct - leading the price range (AUD113 psm pa and 650k sqm leased in 2021). The west precinct is the largest and most actively leased industrial precinct in Australia (900k sqm leased in FY21), given its proximity to the port of Melbourne. The north precinct is close to the airport and lags the former two in terms of prime net face rents. ELOG has three assets in each of these precincts.

We estimate that Brisbane will contribute more to ELOG's Australian revenue in FY22E (58% vs. 38% in FY21), on the back of strong income from temperature-controlled asset (21 Curlew Street). ELOG has 10 assets in Brisbane with 100% occupancy, except for 51 Musgrave Road of 86% occupancy (vs. Brisbane average of 98.6%). Overall, Brisbane has seen sharp increases in gross take up since FY21, over taking Melbourne in 2Q22, with retail and manufacturing sectors underpinning the strong demand. The prime net face rents in 2Q22 was AUD129 psm p.a., with Port of Brisbane submarket in line with the city average.

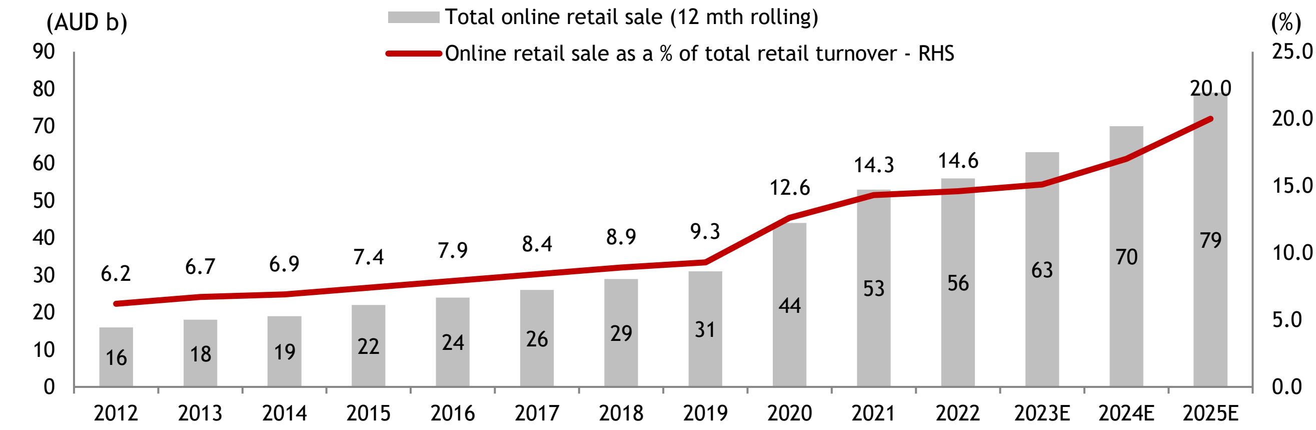
In 1H22, the concentration of supply was added to the Brisbane and Melbourne markets (each accounting for 31% of total new NLA). In our view, the new supply is unlikely to outpace current demand, given the pre-leased rate is at 53% of total new addition in FY22. The pent-up demand is a function of accumulated demand during Covid and faster economic recovery. However, the flood of new supply, such as Mapletree-Logistics Logan City Stage 1 in Brisbane reaching completion, will tame the significant jump in rental growth.

4.2 Stable growth in Australian L&W Market

The pandemic's effect on e-commerce has stayed in Australia, evident by the continuous upward trend of e-commerce penetration rate since Australia's reopening in March 2021. In 2Q22, Australia e-commerce penetration rate stood at 14.6% / AUD56b (vs. 14% / AUD51b in 3Q21), continuing to drive demand for logistics space.

The increase in demand comes amid the shift in supply chain management from just-in-time to just-in-case, coupled with policy support from the Australian government (as laid out in Digital Economy Strategy). The confluence of factors drove the Australian industrial & logistics market to a net absorption of 1.4m sqm in 1H22, and a 0.8% vacancy rate, the lowest globally by country.

Fig 30: e-commerce growth rate in Australia



Source: CBRE, Maybank IBG Research

Country-wide, the transport, postal and warehousing sector accelerated in take up (50% in 2Q22 vs. 38% in 1Q22) of the new lease space. CBRE estimates the supply pipeline to be 2.3m sqm, with the forward pipeline expected to fall due to the shortage of zoned and serviced land.

4.3 Australian AUM growth underpinned by sponsor

The rapid growth of ELOG resembles its sponsor, ESR Cayman's experience in the Australian logistics and industrial market. ESR Cayman entered the Australian market in 2018; since then it has risen to become the third largest logistics and industrial owner in the market, and aspires to do more; in 2021, the group raised USD2850m to fund its development projects in Australia.

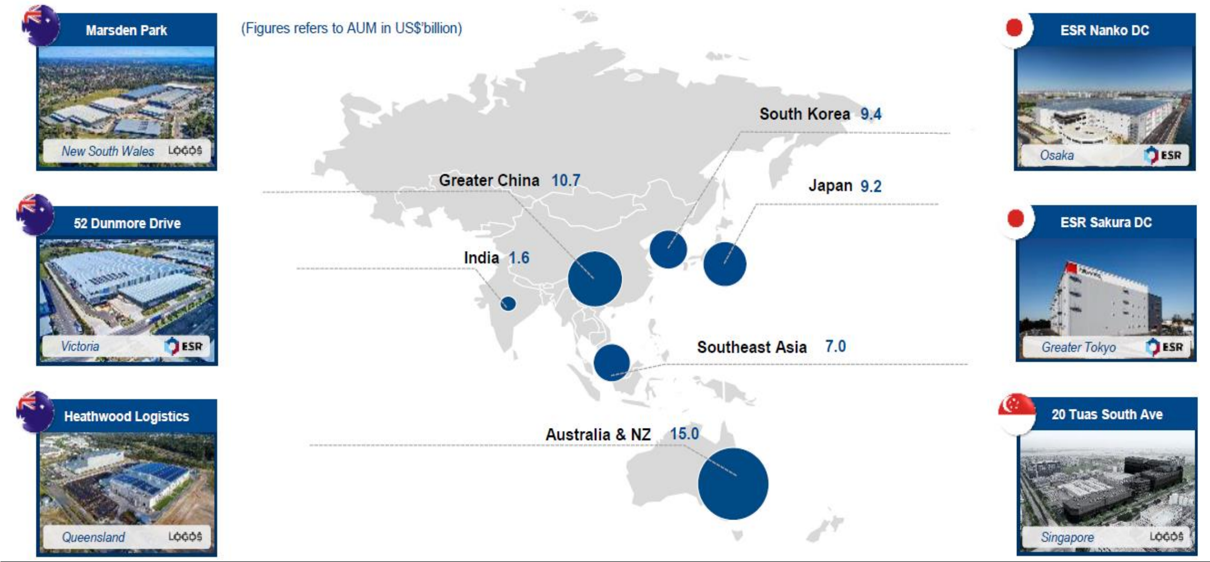
In 1Q22, the largest project reaching practical completion in Australia was ESR's DHL temperature-controlled pharmaceutical distribution facility in Sydney; this is among many other examples of ESR's new assets in Australia. Australia/New Zealand together accounts for 17% of the sponsor's AUM, which has evidently benefitted ELOG.

The then ESR-REIT gained its very first overseas portfolio from ESR Cayman in May 2021, where the sponsor disposed 10% stake in ESR Australia Logistics Partnership (EALP) to the REIT for AUD60.5m. EALP, which comprises 36 prime logistics properties across Australia, is a private fund managed by ESR Asset Management (Australia) Pty Ltd, an indirect subsidiary of ESR Group. The transaction was closed at a 6.7% cap rates favourable to ELOG (vs. then market rates of ~4%).

Following the acquisition of ARA Asset Management by ESR Cayman in Aug 2021 (completion in Jan 2022), the pure-play logistics and warehouse REIT - ARA LOGOS - came under the same sponsor as ESR REIT, which led to the ensuing consolidation of the two REITs. Post-merger, ELOG's Australia portfolio rose to make up 15.8% AUM and has a robust growth potential, given its visible sponsor pipeline of SGD2b (no ROFR).

In our opinion, the sponsor has demonstrated its firm support for ELOG's overseas expansion through increased holdings to 14.4% in July 2022 and its past records. Its strong expansion appetite is likely to benefit ELOG in Australia through continued growth.

Fig 31: An initial pipeline of approximately USD2b from ESR Group



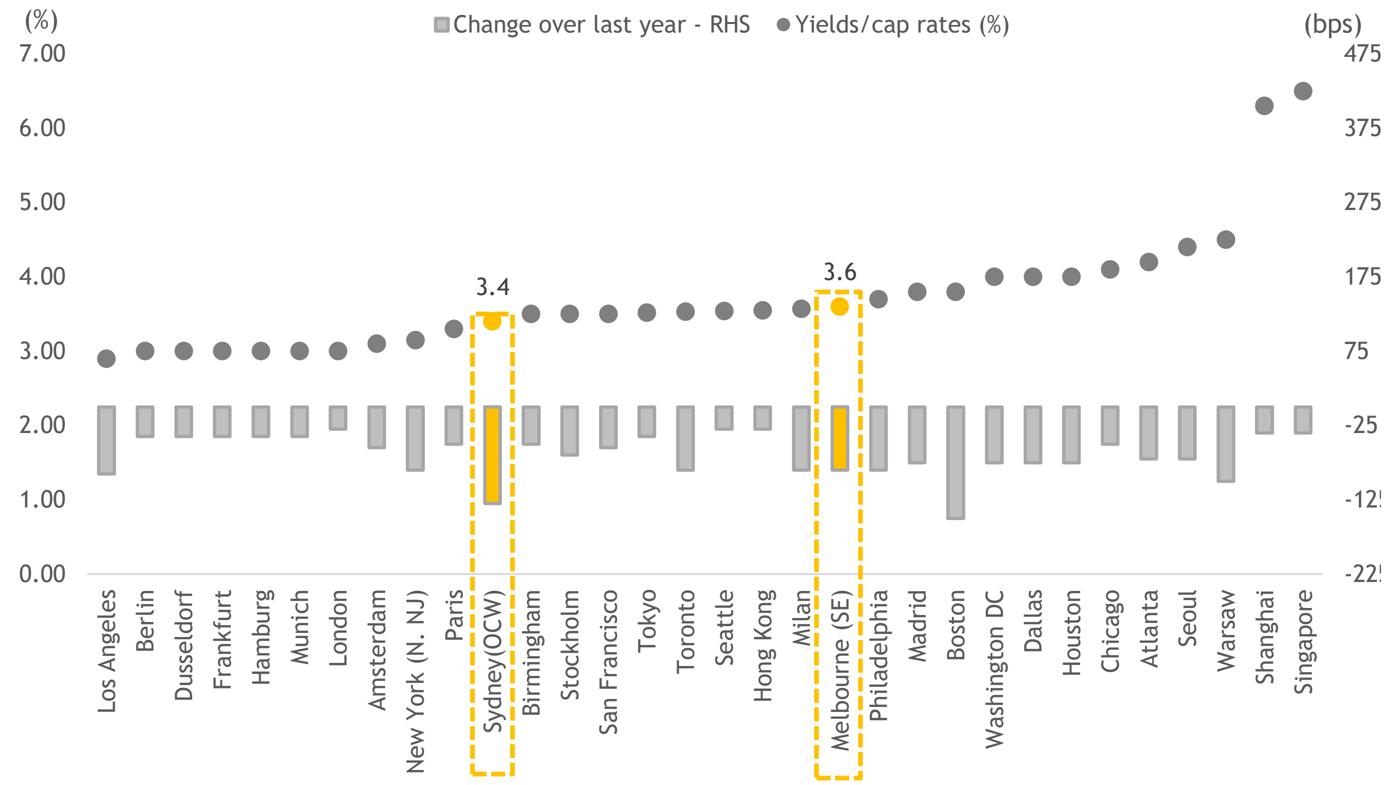
Source: Company data

4.4 Valuation and potential capital gains

Australian industrial and logistics assets have seen rapid cap rate compression, driven by strong investment interests and rental growth over the past few years. Pre-merger, ARA LOGOS saw valuation increase by 2.5% YoY in AUD terms in FY20, driven by lower cap rate.

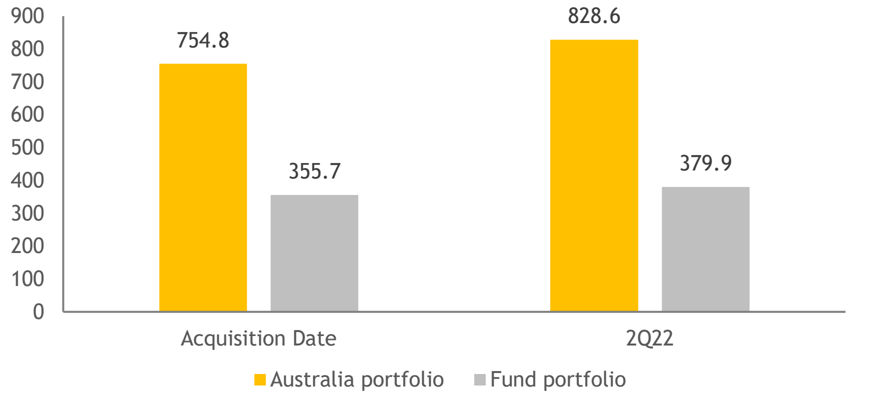
Management has guided for a 25bps compression in cap rate since the last valuation exercise in September 2021. We expect this trend to continue throughout FY22E, providing potential valuation upside to ELOG's Australian assets.

Fig 32: Sydney and Melbourne prime industrial & logistics saw the largest cap rates compression in global markets in 2021



Source: CBRE, Maybank IBG Research

Fig 33: Australian valuation upside since acquisition date



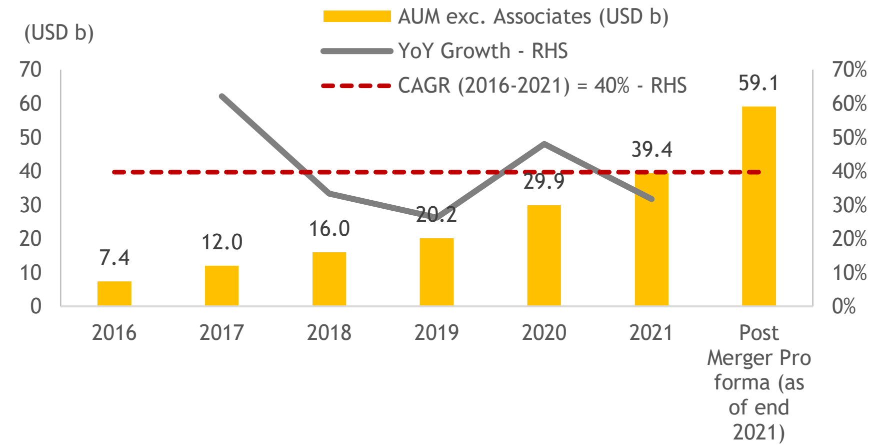
Source: Company data, Maybank IBG Research

5. Sponsor Offers Growth Trajectory

5.1 A value-add in overseas venture

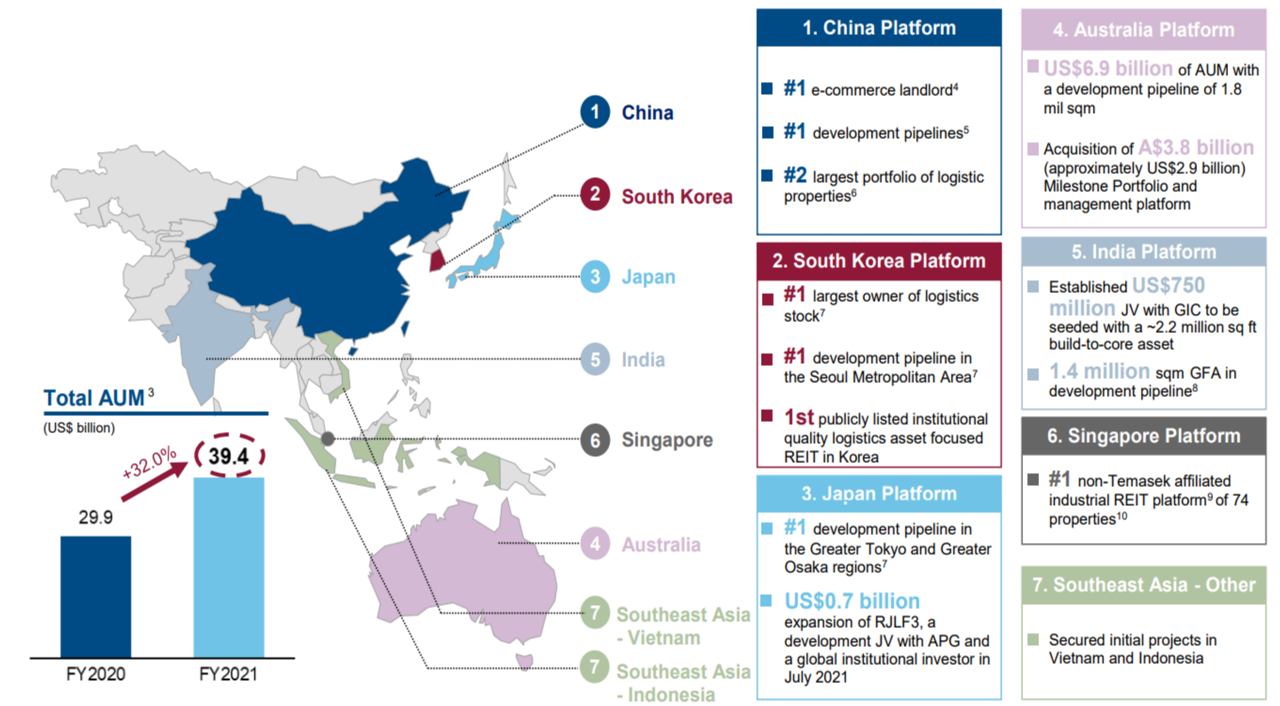
ESR Cayman is a HK-listed real asset manager with a market cap of USD14.0b. It undertakes property investment (44% of EBITDA in FY21), fund management (26%), and property development (30%), registering a revenue of USD404m in FY21 (vs.USD388m in FY20). The sponsor has 14 listed REITs with a total AUM of USD45b. In March 2021, ESR Cayman was better received; it was included in Hang Seng Composite Index and the Shanghai-HK & Shenzhen-HK stock connect programmes.

Fig 34: Sponsor's AUM growth; 4-year CAGR of 42%



Source: Company data, Maybank IBG Research

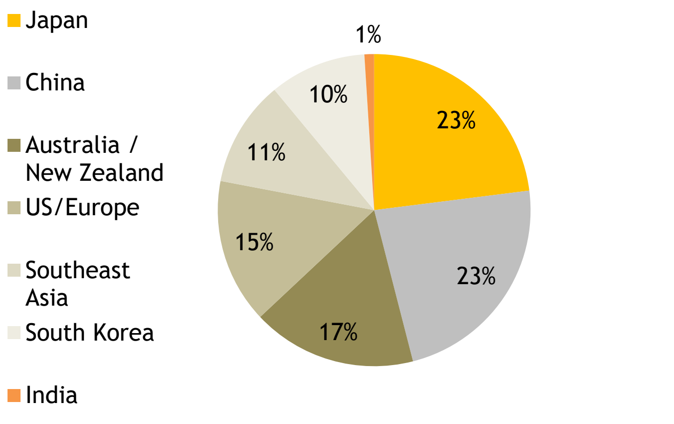
Fig 35: ESR Cayman has a strong presence in key APAC markets



Source: Company data

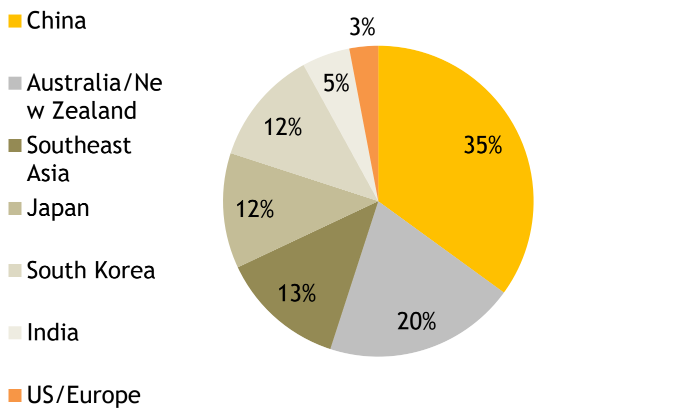
ESR Group is the largest real estate manager in the APAC region and the third largest globally with an AUM of USD140b, with presence in key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, and a growing presence in Europe and the US. Its largest exposure (by AUM) is to Japan (23%) and China (23%), followed by South Korea (26%), Southeast Asia (11%), Australia & New Zealand (17%), India (1%) and the US/Europe (15%). The sponsor has 39.8m sqm of GFA, mainly contributed by China (35% of GFA), Australia & New Zealand (20%), Southeast Asia (13%), Japan (12%) and South Korea (12%).

Fig 36: Sponsor's AUM by geography (2021)



Source: Company data, Maybank IBG Research

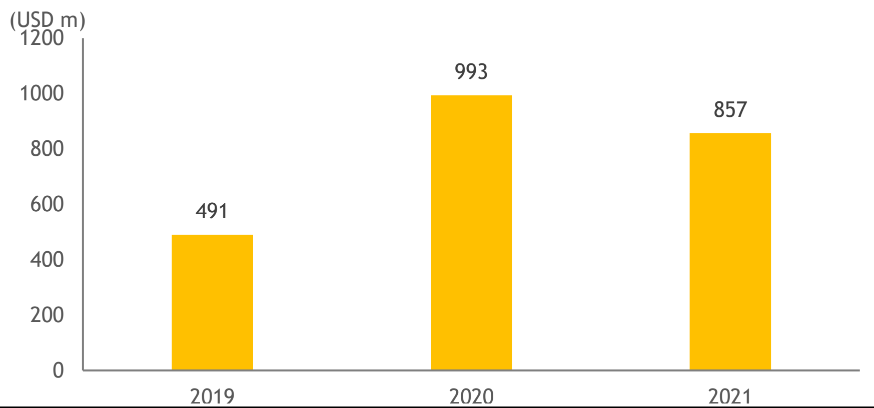
Fig 37: Sponsor's GFA by geography (2021)



Source: Company data, Maybank IBG Research

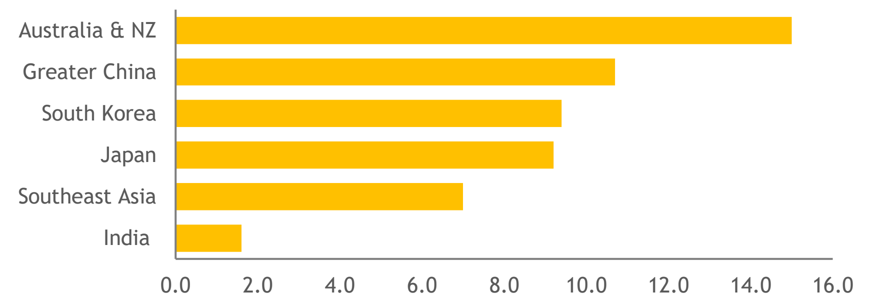
With Singapore industrial markets limited by tight land supply and relatively shorter leases, industrial SREITs tend to seek deals in foreign markets for better cap rates and longer land leases. Sponsors with strong overseas presence and a visible pipeline will chart a clear course for REITs that look to venture overseas. ESR Group has a clear trajectory of capital recycling, with USD490.7m, USD993m and USD857m divested across FY19 to FY21. In our opinion, its USD2b pipeline of new-economy assets across APAC markets is accessible to ELOG and provides future inorganic growth opportunities for the REIT.

Fig 38: ESR Cayman recycled USD2.3b of capital from FY19-FY21



Source: Company data, Maybank IBG Research

Fig 39: ESR Group's new-economy assets (worth USD2b) in the pipeline



Source: Company data, Maybank IBG Research

Fig 40: Notable divestments over the past three years

Year	Country	Transaction	Book Value (USD m)
2021	Australia	Centuria shares	148
2021	Australia	EADP and EALP stakes	77
2021	Australia	Others	30
2021	Korea	Disposal of assets to KREIT	206
2021	Japan	Disposal of Nanko DC to Japan Income Fund	260
2021	Japan	Disposal of assets into Japan Income Fund	82
2021	China, India and Japan	Others	54
2020	China	Six assets to ESRGIC JV	103
2020	Australia	20 Propertylink assets and a land parcel into EAALP	514
2020	Australia	2 assets to EADP	35
2020	Japan	RW Kawajima DC to private REIT	86
2020	Japan	Higashi Ogishima Site A to RJLF III	255
2019	China	7 assets to China NCI Core Fund	276.7
2019	Australia	11 Propertylink assets to EALT	120
2019	Australia	2 industrial park properties to Australia ESR Office Partnership IV (EOP IV)	94

Source: Company data, Maybank IBG Research. Note: EADP (ESR Australia Development Partnership), EALP (ESR Australia Logistics Partnership), EALT (Australia ESR Australia Logistics Trust)

5.2 Sponsor well-positioned in Japan

ELOG's management is interested in acquiring L&W assets in Japan, which in our opinion is executable. We believe ELOG has an advantage in gaining market access in Japan and other regional markets, as the sponsor's support has translated into favourable deal flows in the past. With ESR Group's increased stake in ELOG to 14% in July 2022, we have increasing confidence in its support for ELOG's growth.

ESR Group has been actively strengthening its footprint in Japan. Overall, ESR's Japan platform grew by 304% from USD7.9b in FY20 to USD31.9b in FY22, with the largest development pipeline of 4.7m sqm in the Greater Tokyo and Osaka regions. The group divested assets totalling USD342m in FY21 to its subsidiary fund in Japan.

Fig 41: Recent notable deals in Japan

Property	Location	Description
Phase 1 of ESR Yokohama Sachiura logistics Park	Greater Osaka	The largest logistics park by value in Japan and APAC
Construction of Phase 2 of ESR Yokohama Sachiura Distribution Centre 2	Greater Osaka	
1st Key data Centre in Japan	Osaka	A multi-phase data centre campus
Joint purchase of stake in ESR Ichikawa Distribution Centre (with M&G Real Estate Asia)		
Upsize ESR Japan Logistics Fund III		Fund development of logistics facilities in Japan
Launched ESR Japan Income Fund ("JIF")		

Source: Company data, Maybank IBG Research

The group has an established tenant base, including Daiwa Corporation, which has an extended lease term of 10 years. Its portfolio is underpinned by solid occupancy level of 99%.

5.3 Aligned interests to tap into sponsor's partnerships

ELOG has repositioned itself and increased exposure to new-economy assets post-merger. Management defined "new-economy" assets as hi-spec and logistics properties. ELOG has a 62.7% new-economy exposure by gross rental income in 1H22 and pledged to further increase this number. We see this refreshed strategy as highly aligned with its sponsor's positioning, and therefore, an assurance for continued support from its sponsor, which is testified by ESR Group's increased stake in ELOG.

ESR Group has identified an AUM of USD59b and a pipeline value of USD10b as new-economy related, with logistics and data centre assets being identified as new-economy assets, and its end-users as new-economy tenants. ESR Cayman has built up strong relationships with e-commerce and third-party logistics

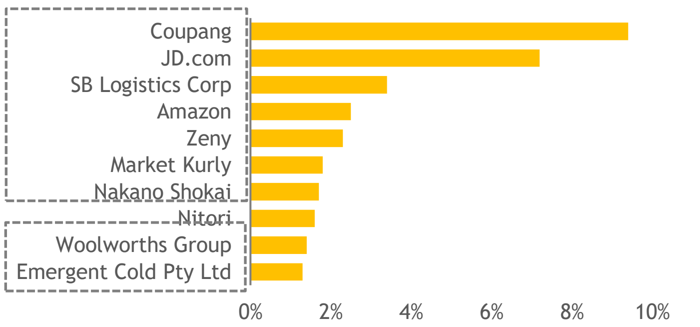
(3PL) companies, contributing 67% of portfolio lease income. It counts giants such as JD.com, Coupang, Softbank, Alibaba, Midea and Daiwa Corporation as its top 5 tenants by area. With ELOG repositioning itself as a new-economy-based REIT, we believe ELOG could leverage its sponsor's network to obtain higher value tenants, which in turn supports healthy rental reversions and ultimately DPU growth going forward.

Fig 42: ESR's top leases by area (FY21)

	E-commerce & 3PL	E-commerce & 3PL	E-commerce & 3PL	Mfg	E-commerce & 3PL
Tenant	JD.com	coupang	Alibaba	Midea	Daiwa Corporation
Market	China	South Korea	China	China	Japan
Newly Leased Area ('000 sqm)	627	307	138	82	72
Lease terms (years)	1-7	2-7	1-5	1-3	10

Source: Company data, Maybank IBG Research

Fig 43: Top 10 tenants by GRI; 9 out of 10 e-commerce related



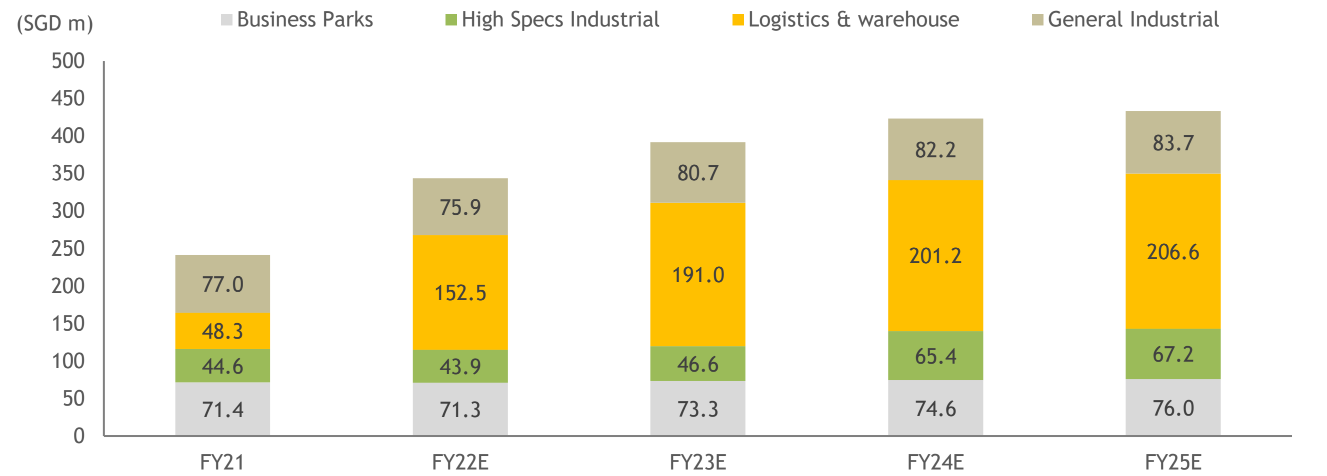
Source: Company data, Maybank IBG Research

6. Financial analysis

6.1 6.1 Top line growth at c.21% 3-year CAGR

Our FY22E/FY23E forecast for revenue are SGD343.57m/SGD402.96m (+42.5%/+17.1% Y-o-Y), mainly contributed by income from the new logistics and warehouse assets post-merger.

Fig 44: Revenue forecasts by asset class



Source: Maybank IBG Research

Fig 45: Revenue forecasts and growth rate by asset class

	FY21	FY22E	FY23E	FY24E	FY25E
Revenue (SGD m)	241.3	343.6	402.9	429.3	439.5
Y-o-Y		*42.4*	*17.3*	*6.7*	*2.4*
Business Parks	71.4	71.3	73.3	74.6	76.0
Y-o-Y		*(0.2)*	*2.7*	*1.8*	*1.8*
High Specs Industrial	44.6	43.9	46.6	63.6	65.4
Y-o-Y		*(1.7)*	*6.3*	*36.3*	*2.8*
Logistics & warehouse	48.3	152.5	191.0	201.8	207.3
Y-o-Y		*216.0*	*25.3*	*5.3*	*2.7*
General Industrial	77.0	81.8	83.3	84.8	77.0
Y-o-Y		*0.0*	*6.3*	*1.8*	*1.8*

Source: Maybank IBG Research

The L&W sector led revenue growth in FY22E and FY23E (up +216.5% /+25.4% Y-o-Y), contributing 8 months of revenue in FY22E and full-year revenue in FY23E, after factoring in the four divested L&W assets (3C Toh Guan Road East, Cache (ALOG) Changi Districentre 2, 404-450 Findon Road and 3 Sanitarium Drive). High specs and general industrial sector are estimated to see -1.7%/0% change in revenue YoY, due to asset enhancement work at 16 Tai Seng Street and 21B Senoko Loop, as well as divestment of three industrial properties (28 Senoko Drive, 11 Serangoon North Avenue 5 and 45 Changi South Avenue 2). We estimate that income contribution from hi-spec assets will bounce back in FY24E (+36.3% YoY), with management expecting 7000 AMK Ave 5 (24,600 sqm GFA) and 16 Tai Seng St (2,793 sqm GFA) to be completed from 3Q2023 onwards.

Non-rental income consists of car park fees and other miscellaneous income. We expect it to remain flat at SGD6.2m/SGD4.1m/SGD3.4m/ SGD5.1m for Business Parks/hi-spec/L&W/general industrial sector.

6.2 Revenue growth underpinned by rental recovery

Management guided for strong reversions in FY22 during the 1H22 results briefing. We expect continued increase in rental earnings in all four sectors to mitigate the income gap caused by AEI and divestment. The YTD portfolio reversions stand at +3.0%/+2.4%/+15.4%/+13.1% for business park/Hi-spec/L&W/general industrial assets, while management guided for +6%-7% reversion for the full year. We factored in a 1.5%-6% increase in Singapore rental estimates and 3-7% upside for Australian rentals in our FY22 forecast, underpinned by strong demand for industrial space in Singapore and Australia. The 2Q22 JTC industrial rental index saw +1.5%/+3.4% Q-o-Q/Y-o-Y increase, led by warehouse rental increase of +2.1%/+5.7% Q-o-Q/Y-o-Y. Demand for hi-spec space is mainly driven by the semiconductor and related sectors, and is likely to remain robust as chip shortage persists globally. Strong demand for industrial space in Australia push vacancy down to 0.8% in 1H22, the lowest vacancy rate globally according to CBRE.

We factored in a +8% rental improvement at former ALOG assets coming out of AEI this year (except for Pandan Logistics Hub that was divested in Aug 2022) . ARA LOGOS underwent “Defensive AEI works” include toilet, CCTV and repainting works at ALOG Commodity Hub, Schenker Megahub, Changi DistriCentre 1, DHL Supply Chain Advanced Regional Centre, as well as the newly divested Pandan Logistics Hub. We also factored in a rental upside at 16 Taiseng St (+10% upside in FY23E) and 21B Senoko (+30% upside in FY24E) following their AEI completion respectively. The large jump in rent at 21B Senoko is to reflect the functional upgrade from general industrial to hi-spec use.

6.3 Improved occupancy, stronger growth outlook

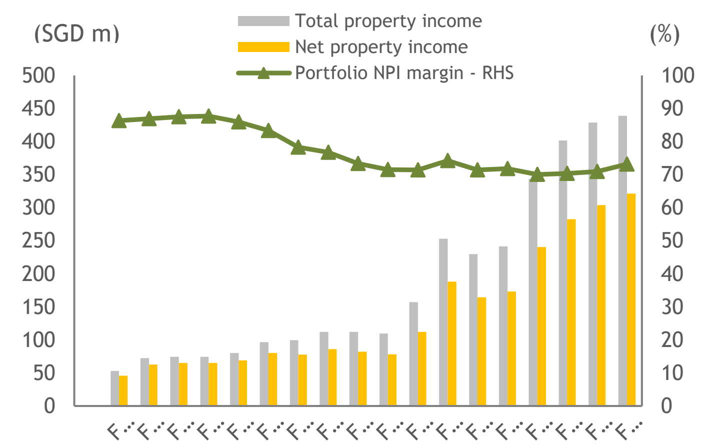
ELOG’s assets have seen increased occupancy (94.1% as of 1H22) and management expects it to be maintained, despite slight dips from ongoing AEI works and non-renewals at a few assets (BP at Chai Chee, hi-spec at 2 Jalan Kilang Barat, and general industrial asset at 160A Gul Circle). We assumed +95%/+100% occupancy in FY24E for the two AEI assets (16 Taiseng St & 21B Senoko), factoring in their historical occupancy in FY20 (+73%/+100%). We expect occupancy at 7000 Ang Mo Kio Ave to hit 100% post-AEI in FY24E.

6.4 NPI margin resilient, set to improve

We forecast FY22E/FY23E NPI to be SGD240.6m/SGD280.9m (+38.8%/+16.8% Y-o-Y), driven by income contribution from newly merged ARA LOGOS L&W assets (+186.4%/35.6%), and partly offset by inflation in FY22E. We factored in a -5% to -10% decline in NPI margin across portfolio, to reflect the inflated utilities, construction and labour costs. Specifically for the hi-spec sector, we estimate a 15.3% dip in NPI to account for the SGD4m loss in 1Q22, on the back of utility costs by precision engineering and data center tenants at 7000 AMK.

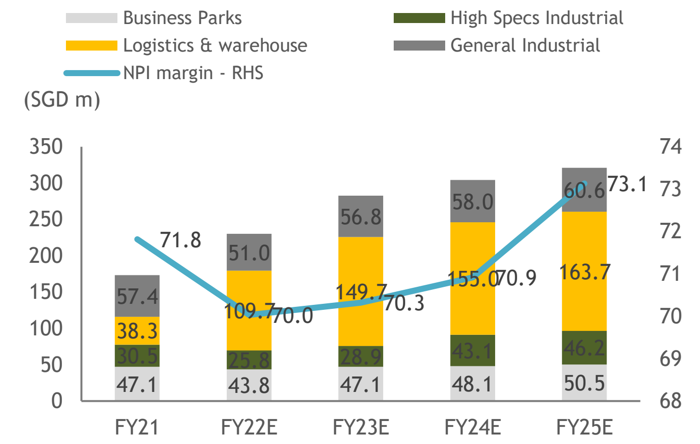
NPI margin remained resilient in 1H22 at 71.9% (vs. 71.8% in FY21), contributed by Australian assets with strong NPI of 78.0%, and partly offset by Singapore assets of 68.9%, amidst utilities and rate hikes. We estimate the NPI margin to improve in FY23E by c.3%-5% across ELOG assets, on the back of newly contracted Singapore Power (SP)tariff rates (effective from July 2022), eased utility hikes in coming years, and post-merger synergy from management (costs and expenses), which drives the larger growth in NPI than revenue in FY23E.

Fig 46: ELOG's NPI margin trend



Source: Maybank IBG Research

Fig 47: NPI and NPI margin forecasts for ELOG's portfolio



Source: Maybank IBG Research

Fig 48: NPI forecasts by asset classes

	FY21	FY22E	FY23E	FY24E	FY25E
NPI (SGD m)	**173.3**	**240.6**	**282.6**	**302.6**	**319.5**
YoY		***38.8***	***17.4***	***7.1***	***5.6***
Business Parks	47.1	43.8	47.1	48.1	50.5
YoY		*(7.1)*	*7.6*	*2.0*	*5.0*
High Specs Industrial	30.5	25.8	28.9	41.6	44.7
YoY		*(15.3)*	*11.9*	*44.0*	*7.4*
Logistics & warehouse	38.3	109.7	149.7	155.0	163.7
YoY		*186.4*	*36.5*	*3.5*	*5.6*
General Industrial	57.4	51.0	56.8	58.0	60.6
YoY		*(11.0)*	*11.3*	*2.0*	*4.6*

Source: Maybank IBG Research

Our estimation for core income is SGD157.1m/SGD190.0m (+48.9%/+20.9% Y-o-Y) for FY22E/FY23E. Management guided for capital distribution from existing and upcoming divestments during the course of AEI, to maintain a steady income stream. After factoring in the capital distribution of SGD10m /SGD15m/SGD5m/SGD5m from FY22 to FY25, our DPU estimate for FY22E/FY23E stands at SGD2.99cts/SGD3.01cts (+0.1%/0.6%).

Our key assumption for shareholder units takes into account of: 1) merger in Apr via issuing 2575 new units; 2) 49.7% of management fee paid by units as in FY21; 3) a continued DRP on para with FY21 level.

6.5 Balance sheet and capital structure

The merger costs ELOG an aggregate scheme consideration of SGD1409.3m, not including fees such as upfront land premium, refinancing of debts and redemption of perpetual securities. The transaction was funded by a SGD835m unsecured term and revolving loan facility, which covers the cash consideration of the trust scheme and the refinancing in full of ALOG REIT's existing loan facilities, and a AUD365m loan and revolving loan facility, which refinances the ALOG's existing Australian loan facilities. ELOG also issued a subordinated perpetual security of SGD150m at 5.5%, as well as 2619.1m new ESR-LOGOS units (43.3m for the acquisition and management fees, issued at SGD0.4170 on 17 May 2022, and 2575.8m for the scheme consideration, at SGD0.4924 on 28 Apr 2022).

Fig 49: Key portfolio drivers

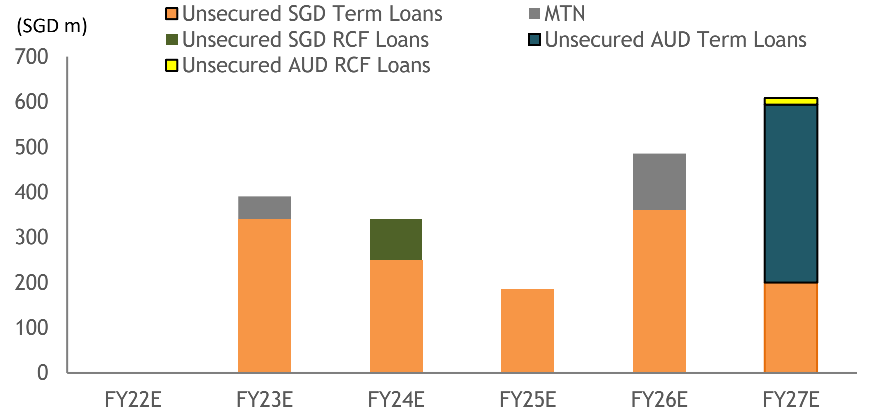
	FY19	FY20	FY21	FY22E	FY23E	FY24E
NLA (sf):						
Portfolio	12,374,527	12,282,019	12,707,659	20,498,644	20,122,274	20,491,276
YoY (%)		(0.7)	3.5	61.3	(1.8)	1.8
Business Parks	1,857,789	1,856,481	1,858,599	1,858,599	1,858,599	1,858,599
YoY (%)		(0.1)	0.1	0.0	0.0	0.0
High Specs Industrial	1,764,022	1,737,079	1,744,580	1,758,050	1,758,050	2,127,052
YoY (%)		(1.5)	0.4	0.8	0.0	21.0
Logistics & warehouse	3,353,870	3,347,798	3,878,349	12,075,240	11,698,870	11,698,870
YoY (%)		4.2	(2.5)	5.1	(0.1)	0.0
General Industrial	5,398,846	5,340,661	5,226,131	4,806,755	4,806,755	4,806,755
YoY (%)		(0.3)	(4.2)	5.9	0.0	0.0
Occupancies (%):						
Portfolio	90.4%	90.3%	88.4%	93.9%	93.8%	94.9%
YoY (ppt)		(0.0)	(2.2)	6.2	(0.1)	1.2
Business Parks	78.4%	76.3%	77.7%	76.1%	76.1%	76.1%
YoY (%)		(4.8)	(0.2)	(5.5)	0.0	16.2
High Specs Industrial	90.5%	86.2%	86.0%	81.3%	81.3%	94.5%
YoY (%)		4.2	(2.5)	5.1	(0.1)	0.0
Logistics & warehouse	92.1%	95.9%	93.5%	98.2%	98.2%	98.2%
YoY (%)		(0.3)	(4.2)	5.9	0.0	0.0
General Industrial	93.4%	93.1%	89.2%	94.4%	94.4%	94.4%
YoY (%)		(9.3)	(0.7)	(4.1)	7.0	4.6
Rents (SGD psf):						
Portfolio	1.88	1.70	1.69	1.62	1.73	1.81
YoY (%)		(9.3)	(0.7)	(4.1)	7.0	4.6
Business Parks	4.02	3.81	3.90	3.96	4.08	4.16
YoY (%)		(5.2)	2.3	1.5	3.0	2.0
High Specs Industrial	2.33	2.42	2.29	2.06	2.21	2.54
YoY (%)		3.8	(5.5)	(9.9)	7.0	15.2
Logistics & warehouse	1.18	1.09	1.07	1.33	1.44	1.48
YoY (%)		(7.1)	(2.3)	24.9	8.2	2.7
General Industrial	1.42	1.12	1.17	1.28	1.37	1.39
YoY (%)		(21.6)	4.5	9.5	7.0	2.0

Source: Maybank IBG Research

Post-merger, ELOG has an aggregate gearing ratio of c.40.6% in 1H22, with 66.2% hedged at a fixed-rate. We estimate overall leverage as at end FY22 to be 32.2%, though management is comfortable to push leverage up to 40%. Current debt headroom stands at SGD958.5m. Management is targeting a lower 3% overall interest rates, which in our opinion is reasonable given its larger asset base, 100% unencumbered portfolio, and a potential favourable credit rating on par with its peers. It has a solid balance sheet to support future acquisitions or strategic actions such as AEI.

Management guided for a downside of 0.7% to DPU with 50 bps increase in cost of borrowings.

Fig 50: Debt maturity profile (as of June 2022)



Source: Company data, Maybank IBG Research

Fig 51: Strong balance sheet

Balance Sheet	FY19	FY20	1Q21	2Q21	3Q21	4Q22	1Q22	2Q22	MKE FY22E	MKE FY23E
Aggregate leverage (%)	41.5	41.6	42.0	42.9	41.3	40.0	39.5	40.6	32.18	31.87
Cost of debt (%)	3.9	3.5	3.5	3.4	3.4	3.3	3.3	2.97	2.70	2.82
WADE (years)	2.6	2.2	2.7	2.6	2.6	2.4	3.4	3.2	3.2	3.2
Hedged at fixed rate (%)	88.8	89	88.1	75	88.1	92.1	93.3	66.2	66.2	66.2
NAV (SGD cts)	43.3	40.5	40.6	39.8	39.8	39.6	40.1	36.5	40.33	40.31

Source: Maybank IBG Research

7. Valuation

We re-initiate coverage with BUY. Our DDM-derived valuation of SGD0.55 implies 42% upside from the current price and 43.1% total return potential.

The key assumptions in our valuation include a discount rate of 7.4%, a risk-free rate of 2.6%, an equity risk premium of 6.5% and a beta of 0.74. We have also assumed a terminal growth rate of 2.0%.

Our DDM-based valuation estimates a DPU of SGD2.99 cts and SGD3.01 cts for FY22E and FY23E, implying a distribution yield of 7.4% / 7.4% for FY22E / FY23E respectively. This translates to 1.36x P/BV.

Our sensitivity analysis suggests that an acquisition of SGD100m in Japan will at least be 0.6% accretive to DPU (2% COD, 40% debt and 4% NPI yield), while an acquisition of SGD200m in Singapore/Australia will at least be 0.4% accretive to DPU (4.5% COD, 40% debt and 4.5% NPI yield).

Fig 52: DDM-based valuation

	0	1	2	3	4	5	6	7	8	9	10	11
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2031**	**2031**
DPU (SGD)	0.030	0.030	0.031	0.032	0.033	0.034	0.034	0.035	0.036	0.036	0.037	0.038
PV of DPU (SGD)	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Sum of PV (SGD)	0.23											
Terminal value (SGD)	0.32											
Target price (SGD)	**0.55**											

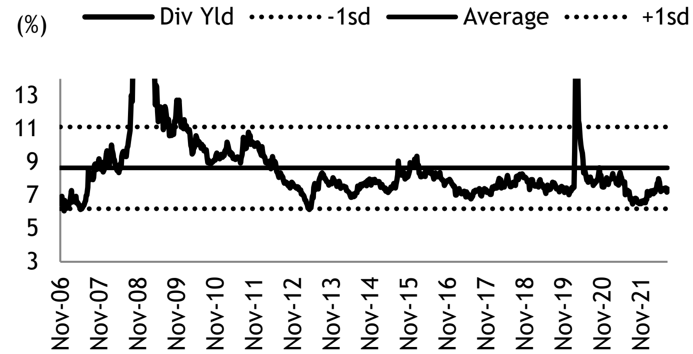
Source: Maybank IBG Research

Fig 53: S-REITs valuation comparison

Company	Rec.	Price (SGD)	TP (SGD)	Upside (%)	Yield (%)	Total return (%)	MC (SGD b)	ADTV (SGD m)	Free Float (%)	BVPS (SGD)	P/BV (x)	Dividend yield (%) 20	21	22E	23E	Gearing (D/A) (%)
Retail							**7.9**	**10.9**			**0.88**	**4**	**5.9**	**5.9**	**6**	**33**
Frasers Ctr Trust (FCT)	Buy	2.33	2.8	20.2	5.3	25.5	4	6.6	59	2.31	1.01	3.9	5.2	5.3	5.3	33
Starhill Global (SGREIT)	NR	0.59					1.3	1	38	0.82	0.71	5.1	6.8	6.8	7.1	36
SPH REIT (SPHREIT)	Hold	0.94	0.93	-1.1	5.7	4.7	2.6	3.3	44	1.02	0.92	2.9	5.7	5.7	5.8	30
Retail & Office							**30.7**	**88.4**			**0.93**	**4.4**	**5.2**	**5.4**	**5.6**	**38**
Cap. Int. Comm. Trust (CICT)	Buy	2.12	2.55	20.3	5.5	25.7	14.1	49.8	79	2.13	1	4.1	4.9	5.5	5.6	39
Mapletree Comm. (MCT)	Buy	1.92	2.25	17.2	4.7	21.9	10	21.6	60	1.74	1.1	4.8	5	4.9	4.7	34
Suntec REIT (SUN)	Buy	1.62	1.85	14.2	5.6	19.8	4.7	16.9	59	2.13	0.76	4.4	5.3	5.6	5.7	43
Lendlease REIT (LREIT)	NR	0.84					1.9		75	0.98	0.85	4.5	5.7	5.7	6.2	35
Office							**6.2**	**10.9**			**0.73**	**5.8**	**6.1**	**6.3**	**6.3**	**39**
Keppel REIT (KREIT)	Buy	1.1	1.25	13.6	5.4	19.1	4.1	10	57	1.36	0.81	5.2	5.3	5.4	5.4	38
OUE Comm. (OUECT)	NR	0.38					2	0.8	28	0.57	0.65	6.4	6.9	7.1	7.2	39
Industrial							**41.2**	**98.3**			**1.13**	**5.4**	**5.9**	**5.8**	**5.8**	**37**
Ascendas REIT (AREIT)	Buy	2.97	3.5	17.8	5.3	23.2	12.5	33.1	62	2.39	1.24	5	5.1	5.3	5.6	37
Mapletree Ind. (MINT)	Buy	2.69	3	11.5	5	16.5	7.2	15	74	1.99	1.35	4.7	5.1	4.9	5	38
Mapletree Log. (MLT)	Buy	1.78	2.15	20.8	4.8	25.6	8.5	22.3	68	1.47	1.21	4.6	4.9	5	4.8	37
Keppel DC REIT (KDCREIT)	NR	2.02					3.5	9.2	79	1.37	1.48	4.5	4.9	5	5.1	35
Frasers Log. & Ind. (FLT)	NR	1.42					5.2	12.4	71	1.32	1.08	4.9	5.4	5.5	5.6	33
AIMS APAC (AAREIT)	Buy	1.36	1.65	21.3	7	28.3	1	1.4	70	1.92	0.71	6.6	7	7.1	7	38
ESR REIT (ESREIT)	Buy	0.42	0.55	32.5	7.5	40	2.8	4.6	84	0.37	1.14	6.8	7.5	7.5	7.8	40
Sabana SC REIT (SSREIT)	NR	0.44					0.5	0.3	57	0.53	0.82	6.3	7	n.a.	n.a.	35
Hospitality							**8.1**	**14.1**			**0.95**	**3**	**3.2**	**4.1**	**4.7**	**37**
Ascott Res. Trust (ART)	Buy	1.18	1.4	18.6	4.5	23.1	3.9	6.5	61	1.16	1.02	2.6	3.5	4.5	5	38
CDL HT (CDLHT)	Buy	1.29	1.4	8.5	4.2	12.8	1.6	3.6	73	1.31	0.98	3.8	3.7	4.2	5.4	40
Far East HT (FEHT)	Buy	0.63	0.8	27	4.7	31.7	1.3	1.1	47	0.85	0.74	3.8	4.2	4.7	5.7	33
Offshore REITs							**18.5**	**27.9**			**0.7**	**8.5**	**8.4**	**8.6**	**8.4**	**38**
Mapletree N. Asia (MAGIC)	NR	1.2					4.2	9.1	62	1.3	0.92	5.1	5.8	5.8	5.9	42
Capita China Trust (CLCT)	NR	1.15					1.9	4.5	70	1.51	0.76	5.6	7.7	8	8.5	39
Ascendas India Trust (AIT)	NR	1.25					1.4	2.5	78	1.2	1.04	7.1	7.4	7	7.9	35
Sasseur REIT (SASSR)	Buy	0.79	1.08	36.7	9.2	45.9	1	1.1	43	0.99	0.8	8.3	9	9.2	9.7	27
Dasin Retail Trust (DASIN)	NR	0.31					0.2	0.5	84	1.4	0.22	12.9	14.8	14.8	n.a.	37
BHG Retail REIT (BHGREIT)	NR	0.52					0.3	0	24	0.89	0.58	n.a.	5.8	6.3	6	35
Lippo Malls Ind. RT (LMIRT)	NR	0.05					0.4	0.1	50	0.09	0.5	n.a.	n.a.	n.a.	n.a.	43
Manulife US REIT (MUST)	Buy	0.56	0.85	53.2	9.6	62.8	1.3	1.4	91	0.73	0.76	10.6	9.6	9.6	9.8	42
Prime US REIT (PRIME)	Buy	0.67	1.05	57.9	10.2	68.1	1.1	0.8	64	0.89	0.75	10.4	10.2	10.2	10.6	38
Keppel P.O. US REIT (KORE)	NR	0.67					1	0.7	84	0.86	0.78	9.3	9	9.3	9.8	37
Cromwell REIT (CEREIT)	NR	2.1					1.7	0.6	92	5.89	0.18	8.4	n.a.	n.a.	n.a.	39
IREIT Global (IREIT)	NR	0.61					0.7	0.2	66	0.82	0.74	8.4	6.7	7.5	7.3	32
EC World REIT (ECWREIT)	NR	0.55					0.4	0.4	45	0.93	0.59	9.4	10.9	10.9	10.9	37
United Hampshire US (UHU)	NR	0.63					0.5	0.3	91	0.79	0.79	8.2	10	10.2	10	39
Elite Commercial (ELITE)	NR	0.61					0.5	0.2	83	0.56	1.09	7.2	8.3	8.4	8.4	43
Daiwa House Log (DHL)	NR	0.73					0.5	1	77	n.a.	n.a.	n.a.	6.9	7	6.8	n.a.
Digital Core REIT (DCREIT)	NR	0.89					1.4	4.5	60	n.a.	n.a.	n.a.	4.7	4.7	5.3	n.a.
Healthcare							**3.5**	**2.9**			**1.42**	**2.9**	**2.8**	**3**	**-**	**34**
Parkway Life REIT (PREIT)	NR	4.82					2.9	2.3	64	2.37	2.03	2.9	2.8	3	3	33
First REIT (FIRST)	NR	0.28					0.6	0.5	50	0.34	0.81	n.a.	n.a.	n.a.	n.a.	36
Total REITs							**116**	**253**			**0.89**	**6**	**6.5**	**6.7**	**6.7**	**37**
S-REIT yield spread														**2**		
FSTREI Index														4.7		
SGS 10Y bond yield														2.7		

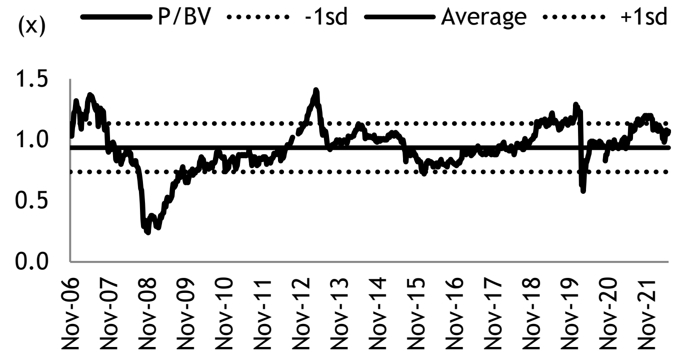
Source: Maybank IBG Research

Fig 54: Historical dividend yield



Source: Maybank IBG Research

Fig 55: Historical P/BV



Source: Maybank IBG Research

Fig 56: Sensitivity for acquisitions in Japan

Assumption for Japan deals										
Cost of capital - 2%, 40% funded by debt						*NPI yield (%)*				
		4.0	*4.5*	*5.0*	*5.5*	*6.0*	*6.5*	*7.0*	*7.5*	*8.0*
	100.0	0.6	0.8	0.9	1.1	1.3	1.4	1.6	1.8	1.9
	200.0	1.0	1.3	1.6	1.9	2.1	2.4	2.7	3.0	3.3
Deal size	*400.0*	1.5	1.9	2.4	2.8	3.3	3.7	4.2	4.6	5.1
	600.0	1.8	2.4	2.9	3.4	4.0	4.5	5.1	5.6	6.1
	800.0	2.1	2.7	3.3	3.9	4.5	5.1	5.7	6.3	6.9
	1000.0	2.2	2.9	3.5	4.2	4.8	5.5	6.1	6.8	7.4

Source: Maybank IBG Research. Assumed 40% leverage ratio based on company's current aggregate leverage level.

Fig 57: Sensitivity for acquisitions in Australia / Singapore

Assumption for Australia/Singapore deals										
Cost of capital - 4.5%, 40% funded by debt						*NPI yield (%)*				
		4.0	*4.5*	*5.0*	*5.5*	*6.0*	*6.5*	*7.0*	*7.5*	*8.0*
	100.0	0.2	0.4	0.6	0.8	0.9	1.1	1.3	1.4	1.6
	200.0	0.4	0.7	1.0	1.3	1.6	1.9	2.1	2.4	2.7
	400.0	0.6	1.1	1.5	1.9	2.4	2.8	3.3	3.7	4.2
Deal size	*600.0*	0.8	1.3	1.8	2.4	2.9	3.4	4.0	4.5	5.1
	800.0	0.8	1.4	2.1	2.7	3.3	3.9	4.5	5.1	5.7
	1000.0	0.9	1.6	2.2	2.9	3.5	4.2	4.8	5.5	6.1

Source: Maybank IBG Research. Assumed 40% leverage ratio based on company's current aggregate leverage level.

8. Risks

Interest rate risks

At current gearing of 40.6% and hedging rate of 66.2%, new facilities could be carried at floating interest rate payments, which will be subjected to market fluctuations beyond the control of the company. Entering into long-term hedging contracts to reduce such fluctuations is costly, while short to medium-term hedging contracts do not eliminate the exposure fully.

Development and construction risks

ELOG has kickstarted a more intensive cycle in AEIs, which will be subject to the risk of development and construction of its industrial assets, such as delay in completion, prolonged AEIs leading to tenant relocation, as well as higher than expected capital costs due to inflated material and labour costs. These factors could potentially have a negative impact on ELOG's income stream/margins.

Adverse economic conditions

A reversal in recovery trends for the economy and a prolonged economic downturn could affect manufacturing and consumption activities, which could hit occupancy and rental rates, which in turn affect ELOG DPU and valuations. Slowing down in economic activities in other developed markets could also halt expansion plans for industrial space users in Singapore and Australia. While both are pacing ahead of the rest of the mature markets, uncertainty in the global economies and geopolitical tensions could affect manufacturing activities. Meanwhile, credit markets volatility limits transactions globally, slowing down or even reverse the valuation upside trend for Australia markets.

Land-lease-expiry risk

Industrial assets in Singapore inevitably face the verdict when land lease is up for renewal. ELOG has ventured overseas to seek buffer from overseas freehold assets. In our opinion, the assets due for land lease renewal do not account for a large proportion of ELOG's overall portfolio. Meanwhile, we will keep investors updated on any corporate actions to mitigate lease-expiry risks.

9. Appendix

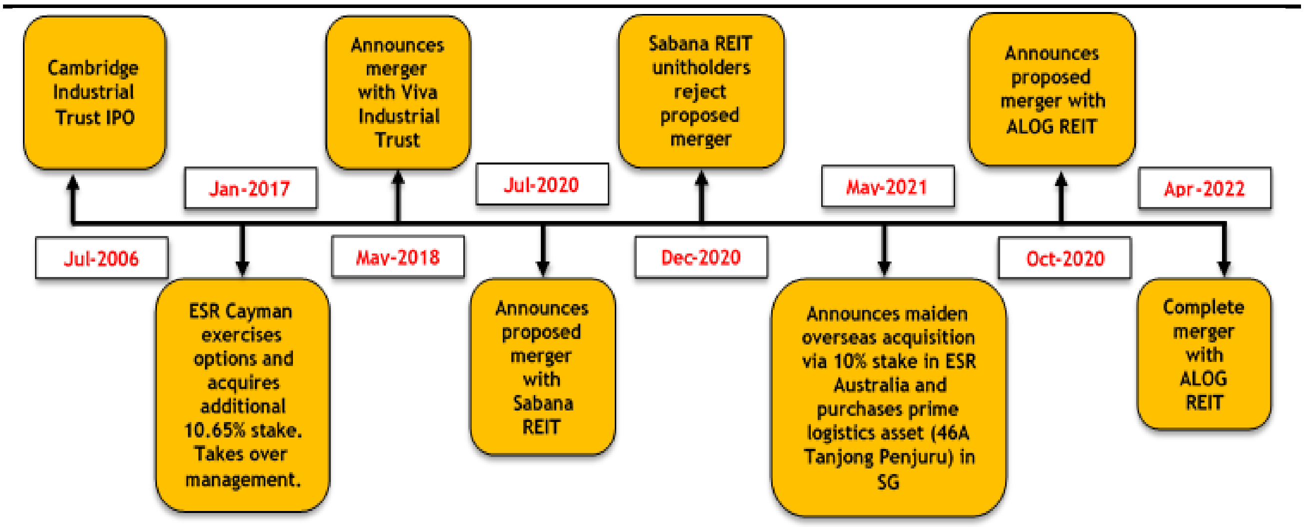
9.1 From VIVA to ELOG

ESR-LOGOS REIT is a REIT that primarily invests in industrial real estate assets, with SGD5.5b of AUM and 2.3m sqm of net lettable area (NLA). ELOG was formerly known as Cambridge Industrial Trust (IPO in 2006), before ESR Cayman took over in Jan 2017. It later went on to acquire Viva Industrial Trust (VIVA) in 2H18, and in Jul 2020 proposed a merger with Sabana REIT (SBREIT), which was later rejected by the SBREIT unitholders in Dec 2020 on the grounds of valuation and alleged conflict of interests concerns (the sponsor, ESR Cayman, also owns 19.7% of SBREIT).

In May 2021, ELOG continued its quest for growth by acquiring a prime logistics asset (46A Tanjong Penjuru) in Singapore for SGD125m and a 10% stake in sponsor-backed fund, ESR Australia Logistics Partnership (EALP), for AUD60.5m, completing its maiden overseas investment.

This overseas venture comes only four months before a proposed merger with ARA LOGOS REIT in Oct 2021, by way of a trust scheme of arrangement, at an implied gross exchange ratio of 1.970x. The merger significantly increased ELOG's presence in the Australian logistics / warehouse markets. Post-merger, ELOG's free float capitalization size has increased from SGD1.8b to SGD2.1b, making it the fifth largest industrial REIT listed in Singapore.

Fig 58: ELOG key events timeline since IPO as Cambridge Industrial Trust in Jul-2006



Source: Maybank IBG Research

9.2 Key management and shareholders

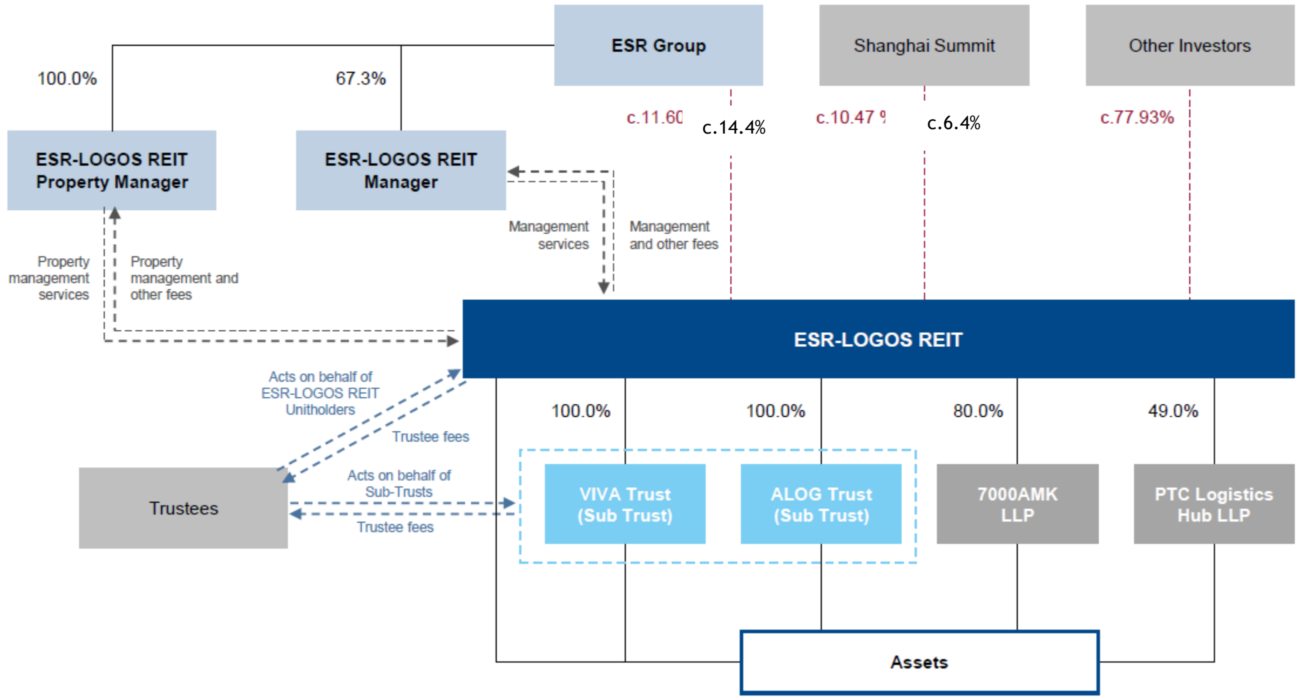
ELOG REIT has a 8-person board (following the resignation of two non-executive directors since July 2022).

Mr. Adrian Chui is the Chief Executive Officer and Executive Director, who also chairs the Sustainability Committee. He has extensive experience in property investment and divestment, fund management and structuring, capital markets, acquisition financing, mergers and acquisitions, and property research. He is well supported by an experienced and stable management team, which constantly delivered good results. Post-merger, ELOG has a larger pool of talents. Ms. Karen Lee, the former Chief Executive Officer of ARA LOGOS, joins the combined ELOG as the deputy Chief Executive Officer. She has more than 20 years of experience in industrial real estate development.

Other directors include Ms Stefanie Yuen Thio who also sits on the board of ARA H-Trust Managers. Mr Philip Pearce, who is the CEO of ESR Australia and sits on the boards of ESR Group subsidiaries. Mr Jeffrey Perlman is the Chairman of ESR Cayman Limited and sits on the board of the sponsor.
The sponsor, ESR Cayman Limited, is ELOG's largest shareholder. Its stake has increased from 9.72% in Feb 2022 to 11.2% post-merger, and further increased to 14.4% in July 2022.

Following the change in ownership structure, the former substantial unitholders Shanghai Summit (Group) (previously 9.92% of total interest) and Mr Tong Jinquan, the ultimate beneficial owner of the former, ceased to be substantial shareholders. Mr Tong Jingquan ceased to serve on the board as a non-executive director.

Fig 59: Sponsor ESR Group is the sole substantial unitholder of ELOG



Source: Maybank IBG Research

9.3 Overview of ELOG's portfolio

Fig 60: ELOG's portfolio assets

	Occupancy (FY22) (%)	Revenue (FY21) (SGD m)	Revenue (FY22E) (SGD m)	NPI (FY21) (SGD m)	NPI (FY22E) (SGD m)	Remarks
Business Parks						
16 International Business Park	100%	2.1	2.1	1.6	1.6	
750 to 750E Chai Chee Road	78%	37	36.2	26.6	24.2	
6 & 8 Changi Business Park Avenue 1	57%	16.5	17	11.9	11.4	
2 & 4 Changi Business Park Avenue 1	100%	9.7	9.8	7	6.6	
High Specs Industrial						
21 & 23 Ubi Road 1	82%	3	3.2	2.3	2	
2 Jalan Kilang Barat	83%	1.9	1.7	1.4	1.1	
11 Chang Charn Road	43%	1	1.1	0.8	0.7	
16 Tai Seng Street	37%	2.6	0	2	0	AEI, management expects to complete in 4Q23
19 Tai Seng Avenue	85%	1.1	1.3	0.8	0.8	
12 Ang Mo Kio Street 65	92%	2.3	2.4	1.7	1.6	
30 Marsiling Industrial Estate Road 8	100%	4.3	4.5	3.2	2.9	
7000 Ang Mo Kio Avenue 5	97%	24.3	25.5	18.2	16.6	AEI, management expects to complete in 3Q23
Logistics & warehouse						
1 Third Lok Yang Road & 4 Fourth Lok Yang Road	100%	1.2	1.3	1.1	1.1	
25 Changi South Avenue 2	100%	1	1.1	1	0.9	
160 Kallang Way	100%	2.7	2.9	2.6	2.4	
6 Chin Bee Avenue	100%	7.8	8.3	7.4	7	
30 Pioneer Road	100%	3.6	3.8	3.4	3.2	
4 & 6 Clementi Loop	89%	3.3	3.4	2.6	2.4	
24 Jurong Port Road	98%	6.7	7.1	5.4	5	
3 Pioneer Sector 3	93%	7.3	7.7	5.8	5.4	
15 Greenwich Drive	100%	7.3	7.7	5.8	5.4	
46A Tanjong Penjuru	100%	4	8.3	3.2	5.8	
ALOG Commodity Hub	99%		35.8		23.3	
ALOG Cold Centre	83%		9.6		6.2	
Schenker Megahub	100%		7		5.3	
Cache (ALOG) Changi Districentre 1	93%		8.9		5.8	
Air Market Logistics Centre	100%		1		0.7	
Pan Asia Logistics Centre	100%		3.8		2.9	
(ALOG Gul) LogisCentre (previously Precise Two)	100%		3.7		2.8	
DHL Supply Chain ARC	100%		17.5		11.4	
127 Orchard Road (Sydney)	100%		3.2		2.6	
16-28 Transport Drive (Melbourne)	100%		2.3		1.8	
51 Musgrave Road (Brisbane)	86%		0.5		0.4	
203 Viking Drive (Brisbane)	100%		2.3		1.8	
223 Viking Drive (Brisbane)	100%		0.9		0.7	
217-225 Boundary Road	100%		2		1.6	
16-24 William Angliss Drive (Melbourne)	100%		1.4		1	
151-155 Woodlands Drive (Melbourne)	100%		1.2		1	
41-51 Mills Road (Melbourne)	95%		2.1		1.6	
67-93 National Boulevard (Melbourne)	100%		1.8		1.4	
41-45 Hydrive Close (Melbourne)	100%		0.9		0.7	
76-90 Link Drive (Melbourne)	100%		0.7		0.6	
3 Sanitarium Drive (Sydney)	100%		1.4		1.1	Divested, contributing to FY22 revenue until July 2022
11-19 Kellar Street (Brisbane)	100%		0.4		0.3	
196 Viking Drive (Brisbane)	100%		1.1		0.9	
182-198 Maidstone Street Altona (Melbourne)	100%		2.1		1.6	
1-5 & 2-6 Bishop Drive, POB, QLD	100%		6		4.8	
8-10 Curlew Street, POB, QLD	100%		3.4		2.7	
53 Peregrine Drive, POB, QLD	100%		0.9		0.7	AEI, management expects to complete in 4Q22
47 Logistics Place, Larapinta, OLD	100%		0.8		0.6	
21 Curlew Street (Brisbane)	100%		10		8	

Source: Maybank IBG Research

Fig 61: ELOG's portfolio assets (Cont'd)

	Occupancy (FY22) (%)	Revenue (FY21) (SGD m)	Revenue (FY22E) (SGD m)	NPI (FY21) (SGD m)	NPI (FY22E) (SGD m)	Remarks
General Industrial						
70 Seletar Aerospace View	0%	0.5	0	0.4	0	
11 Ubi Road 1	100%	7.1	7.5	6	6	
29 Tai Seng Street	100%	2.4	2.5	2	2	
81 Tuas Bay Drive	100%	1.9	2	1.6	1.6	
79 Tuas South Street 5	100%	0.6	0.6	0.5	0.5	
31 Tuas Avenue 11	100%	0.6	0.6	0.5	0.5	
1 & 2 Changi North Street 2 8	100%	1.4	1.5	1.2	1.2	
9 Tuas View Crescent	100%	0.1	0	0.1	0	
28 Senoko Drive	0%	1.8	0	1.5	0	Divested in Jan22
31 Changi South Avenue 2	100%	1	1.1	0.9	0.8	
2 Tuas South Avenue 2	100%	2.7	2.8	2.3	2.3	
60 Tuas South Street 1	100%	0.5	0.5	0.4	0.4	
28 Woodlands Loop	100%	1.7	1.8	1.4	1.4	
25 Pioneer Crescent	100%	1.3	1.4	1.1	1.1	
11 Woodlands Walk	100%	1.3	1.4	1.1	1.1	
43 Tuas View Circuit	100%	1.7	1.8	1.4	1.4	
3 Tuas South Avenue 4	100%	2.5	2.6	2.1	2.1	
30 Toh Guan Road	98%	5.4	5.7	4.3	4	
128 Joo Seng Road	97%	1.3	1.4	1	1	
130 Joo Seng Road	100%	1.7	1.8	1.4	1.2	
136 Joo Seng Road	100%	1.3	1.4	1	1	
54 Serangoon North Avenue 4	99%	2.1	2.2	1.7	1.5	
11 Lorong 3 Toa Payoh	77%	8.3	8.9	6.6	6.3	
120 Pioneer Road	86%	2.2	2.4	1.8	1.7	
5 & 7 Gul Street 1	63%	0.9	0.9	0.7	0.7	
160A Gul Circle	35%	1.1	0.5	0.9	0.3	
30 Teban Gardens Crescent	100%	1.7	1.8	1.3	1.2	
8 Tuas South Lane	100%	5.8	6.1	4.6	4.3	
45 Changi South Avenue 2	0%	0.8	0	0.6	0	Divested in Aug21
511 & 513 Yishun Industrial Park A	95%	1.1	1.4	0.9	1	
86 & 88 International Road	100%	3.2	3.4	2.6	2.4	
13 Jalan Terusan	100%	2.9	3	2.3	2.1	
21B Senoko Loop	0%	1.1	0	0.9	0	AEI, management expects to complete in 1Q24

Source: Maybank IBG Research

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
Price/DPU(x)	14.1	16.1	13.7	13.6	13.3
P/BV (x)	1.0	1.2	1.0	1.0	1.0
P/NTA (x)	1.0	1.2	1.0	1.0	1.0
DPU yield (%)	7.1	6.2	7.3	7.3	7.5
FCF yield (%)	11.6	8.3	22.2	12.5	10.0
INCOME STATEMENT (SGD m)					
Revenue	229.9	241.3	343.6	401.8	428.8
Net property income	**164.2**	**173.3**	**240.6**	**282.6**	**304.1**
Management and trustee fees	(23.3)	(17.6)	(30.9)	(30.9)	(30.9)
Net financing costs	(53.1)	(51.4)	(49.7)	(58.8)	(60.9)
Associates & JV	3.0	7.7	4.7	5.3	5.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income/expenses	0.0	0.0	0.0	0.0	0.0
Pretax profit	**90.8**	**112.0**	**164.7**	**198.2**	**218.0**
Income tax	(0.0)	(2.2)	(3.2)	(3.9)	(4.3)
Minorities	(6.9)	(6.9)	(15.2)	(15.2)	(15.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Total return avail to unitholders	**87.1**	**105.5**	**157.1**	**190.0**	**209.4**
Core net profit	99.1	113.6	167.1	205.0	214.4
Distributable inc to unitholders	99.0	114.4	167.1	205.0	214.4
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	18.1	24.2	340.2	470.8	528.7
Accounts receivable	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	0.0	0.0	0.0	0.0	0.0
Inverstment properties	3,119.1	3,146.0	4,941.0	4,941.0	4,941.0
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	38.0	40.7	365.3	365.3	365.3
Other assets	12.2	118.9	134.4	59.2	59.2
Total assets	**3,187.4**	**3,329.8**	**5,780.9**	**5,836.3**	**5,894.2**
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	62.3	64.3	90.2	90.2	90.2
LT interest bearing debt	1,405.6	1,409.4	1,860.4	1,860.4	1,860.4
Other liabilities	121.3	106.9	693.8	693.8	693.8
Total Liabilities	**1,589.3**	**1,580.7**	**2,644.4**	**2,644.4**	**2,644.4**
Shareholders Equity	1,447.0	1,598.0	2,733.2	2,788.5	2,846.4
Minority Interest	151.1	151.1	403.4	403.4	403.4
Total shareholder equity	**1,598.1**	**1,749.1**	**3,136.6**	**3,191.9**	**3,249.8**
Total liabilities and equity	**3,187.4**	**3,329.8**	**5,780.9**	**5,836.3**	**5,894.2**
CASH FLOW (SGD m)					
Cash flow from operations	**161.4**	**152.8**	**509.1**	**348.8**	**284.7**
Capex	(0.0)	(0.0)	(0.4)	(0.0)	(0.0)
Acquisitions & investments	(10.9)	(149.3)	(2,287.6)	0.0	0.0
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	4.8	0.0	4.7	5.3	5.6
CF from investing activities	**(6.1)**	**(149.3)**	**(2,283.3)**	**5.3**	**5.6**
Dividends paid	(84.2)	40.5	115.1	(164.8)	(171.6)
Interest expense	(52.8)	(52.4)	(49.7)	(58.8)	(60.9)
Change in debt	(14.0)	16.6	451.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	1,090.1	0.0	0.0
Other financial activities	(1.9)	(2.1)	0.0	0.0	0.0
CF from financing activities	**(152.9)**	**2.6**	**1,606.4**	**(223.5)**	**(232.5)**
Effect of exchange rate changes	**0.0**	**(0.0)**	**483.9**	**0.0**	**0.0**
Net cash flow	**2.4**	**6.1**	**316.1**	**130.5**	**57.9**

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(9.1)	4.9	42.4	17.0	6.7
Net property income growth	(12.6)	5.5	38.9	17.4	7.6
Core net profit growth	(25.2)	14.6	47.2	22.7	4.6
Distributable income growth	(23.5)	15.6	46.1	22.7	4.6
Profitability ratios (%)					
Net property income margin	71.4	71.8	70.0	70.3	70.9
Core net profit margin	43.1	47.1	48.6	51.0	50.0
Payout ratio	113.2	108.0	106.4	107.9	102.4
DuPont analysis					
Total return margin (%)	37.9	43.7	45.7	47.3	48.8
Gross revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	2.2	2.1	2.1	2.1	2.1
ROAE (%)	5.9	6.9	7.3	6.9	7.4
ROAA (%)	3.1	3.5	3.7	3.5	3.7
Leverage & Expense Analysis					
Asset/Liability (x)	2.0	2.1	2.2	2.2	2.2
Net gearing (%) (excl. perps)	86.8	79.2	48.5	43.5	41.0
Net interest cover (x)	2.7	3.0	4.2	4.3	4.5
Debt/EBITDA (x)	10.0	9.1	8.9	7.4	6.8
Capex/revenue (%)	0.0	0.0	0.1	0.0	0.0
Net debt/ (net cash)	1,387.5	1,385.3	1,520.2	1,389.6	1,331.8
Debt/Assets (x)	0.44	0.42	0.32	0.32	0.32

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

LEE Ju Ye
Singapore | Thailand | Indonesia
(65) 6231 5844
leejuye@maybank.com

Dr Zamros DZULKAFLI
(603) 2082 6818
zamros.d@maybank-ib.com

Fatin Nabila MOHD ZAINI
(603) 2297 8685
fatinnabila.mohdzaini@maybank-ib.com

Brian LEE Shun Rong
(65) 6231 5846
brian.lee1@maybank.com

Luong Thu Huong
(65) 6231 8467
hana.thuhuong @maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com.sg

TAN Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

Fiona LIM
(65) 6320 1374
fionalim@maybank.com.sg

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
(65) 6340 1079
winsonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2074 7606
munyi.st@maybank-ib.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

ONG Seng Yeow
Research, Technology & Innovation
(65) 6231 5839
ongsengyeow@maybank.com

MALAYSIA

Anand PATHMAKANTHAN *Head of Research*
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

WONG Chew Hann, CA
(603) 2297 8686
wchewh@maybank-ib.com
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services- Regional
• Automotive

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming – Regional
• Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Construction • Renewable Energy • REITs

Arvind JAYARATNAM
(603) 2297 8692
arvind.jayaratnam@maybank.com
• Petrochemicals • Technology

Shafiq KADIR, CFA
(603) 2297 8691
msshafiqk.abkadir@maybank-ib.com
• Healthcare • Software

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Shipping

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858 szechiah.t@maybank-ib.com
• Retail Research

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com
• Chartist

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Retail Research

SINGAPORE

Thilan WICKRAMASINGHE *Head of Research*
(65) 6231 5840 thilanw@maybank.com
• Banking & Finance - Regional
• Consumer

CHUA Su Tye
(65) 6231 5842 chuasutye@maybank.com
• REITs - Regional

Eric ONG
(65) 6231 5924 ericong@maybank.com
• Healthcare • Transport • SMIDs

Kelvin TAN
(65) 6231 5837 kelvintan1@maybank.com
• Telcos • Industrials

Samuel TAN
(65) 6231 5843 samuel.tan@maybank.com
• Technology

LI Jialin
(65) 6231 5845 jialin.li@maybank.com
• REITs

PHILIPPINES

Jacqui de JESUS *Head of Research*
(63) 2 8849 8840
jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA
(63) 2 8849 8843
rachelleen.rodriguez@maybank.com
• Banking & Finance • Transport • Telcos

Daphne SZE
(63) 2 8849 8847
daphne.sze@maybank.com
• Consumer

Miguel SEVIDAL
(63) 2 8849 8844
miguel.sevidal@maybank.com
• REITs • Property

Fiorenzo de JESUS
(63) 2 8849 8846
fiorenzo.dejesus@maybank.com
• Utilities

VIETNAM

Quan Trong Thanh *Head of Research*
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology • Industrials

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer

Tyler Manh Dung Nguyen
(84 28) 44 555 888 ext 8085
manhdung.nguyen@maybank.com
• Utilities • Property

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer

Nguyen Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 ext 8081
tuyen.nguyen@maybank.com
• Retail Research

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Chartist

INDIA

Jigar SHAH *Head of Research*
(91) 22 4223 2632 jigars@maybank.com
• Strategy • Oil & Gas • Automobile • Cement

Neerav DALAL
(91) 22 4223 2606 neerav@maybank.com
• Software Technology • Telcos

Vikram RAMALINGAM
(91) 22 4223 2607
vikram@maybank.com
• Automobile • Media

INDONESIA

Rahmi MARINA
(62) 21 8066 8689
rahmi.marina@maybank.com
• Banking & Finance

Willy GOUTAMA
(62) 21 8066 8500
willy.goutama@maybank.com
• Consumer

Richard SUHERMAN
(62) 21 8066 8691
richard.suherman@maybank.com
• Metals & Mining

Satriawan, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

THAILAND

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank.com
• Banking & Finance

Vanida GEISLER, CPA
(66) 2658 6300 ext 1394
Vanida.G@maybank.com
• Property • REITs

Yuwanee PROMMAPORN
(66) 2658 6300 ext 1393
Yuwanee.P@maybank.com
• Services • Healthcare

Wasu MATTANAPOTCHANART
(66) 2658 6300 ext 1392
wasu.m@maybank.com
• Telcos

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank.com
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Food & Beverage • Commerce

Jaroonpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroonpan.w@maybank.com
• Transportation • Small cap

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "Maybank IBG") and consequently no representation is made as to the accuracy or completeness of this report by Maybank IBG and it should not be relied upon as such. Accordingly, Maybank IBG and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. Maybank IBG expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Maybank IBG and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of Maybank IBG may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of Maybank IBG's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank IBG and Maybank IBG and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Research Pte. Ltd. ("MRPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact MRPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), MRPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Securities (Thailand) Public Company Limited. Maybank Securities (Thailand) Public Company Limited ("MST") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MST Institutional and Retail Research departments may differ in either recommendation or target price, or both. MST reserves the rights to disseminate MST Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MST Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MST does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MST does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Securities USA Inc ("MSUS"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by MSUS in the US shall be borne by MSUS. This report is not directed at you if Maybank IBG is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that MSUS is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Securities USA Inc. 400 Park Avenue, 11th Floor, New York, New York 10022, 1-(212) 688-8886 and not with, the issuer of this report.

UK

This document is being distributed by Maybank Securities (London) Ltd ("MSUK") which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by MRPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Sekuritas Indonesia ("PTMSI") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MST (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank Securities Inc (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** MIB Securities (Hong Kong) Limited (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** MIB Securities India Private Limited ("MIBSI") is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India ("SEBI") (Reg. No. INZ000010538). MIBSI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) **US:** Maybank Securities USA Inc is a member of/and is authorized and regulated by the FINRA – Broker ID 27861. **UK:** Maybank Securities (London) Ltd (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

Disclosure of Interest

Malaysia: Maybank IBG and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 24 August 2022, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MST may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MST, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 24 August 2022, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 24 August 2022, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months MIBSI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

Maybank IBG may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

Definition of Ratings

Maybank IBG Research uses the following rating system

BUY	Return is expected to be above 10% in the next 12 months (including dividends)
HOLD	Return is expected to be between 0% to 10% in the next 12 months (including dividends)
SELL	Return is expected to be below 0% in the next 12 months (including dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
Maybank Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

London

Maybank Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

New York

Maybank Securities USA Inc
400 Park Avenue, 11th Floor
New York, New York 10022,
U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

Hong Kong

MIB Securities (Hong Kong) Limited
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Indonesia

PT Maybank Sekuritas Indonesia
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

India

MIB Securities India Pte Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Philippines

Maybank Securities Inc
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

Thailand

Maybank Securities (Thailand) PCL
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Vietnam

Maybank Securities Limited
Floor 10, Pearl 5 Tower,
5 Le Quy Don Street,
Vo Thi Sau Ward, District 3
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888
Fax : (84) 28 38 271 030

Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank.com
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Indonesia
Helen Widjaja
helen.widjaja@maybank.com
(62) 21 2557 1188

London
Greg Smith
gsmith@maybank.co.uk
Tel: (44) 207-332-0221

New York
James Lynch
jlynch@maybank-keusa.com
Tel: (212) 688 8886

India
Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91)-22-6623-2629

Philippines
Keith Roy
keith_roy@maybank.com
Tel: (63) 2 848-5288

www.maybank-ke.com | www.maybank-keresearch.com