

COMPANY RESULTS

CapitaLand Integrated Commercial Trust (CICT SP)

3Q24: Increasing Dominance Of Singapore's Retail Scene

CICT clocked a positive rental reversion of 9.2% for retail and 11.7% for office in 9M24. NPI margin improved 2.5ppt yoy to 72.8% in 3Q24 due to cost savings from lower utility expenses and the new property management agreement. CICT is working on reconfiguring the upper floors and obtaining tax transparency for ION Orchard. Management intends to expand in integrated developments, which are more resilient throughout economic cycles. Maintain BUY. Target price: S\$2.59.

3Q24 RESULTS

Year to 31 Dec (S\$m)	3Q24	yoy % chg	Remarks
<b>Gross Revenue</b>			
Retail	146.9	+3.2	Consistently clocked high single-digit positive rental reversion.
Office	129.3	-1.6	Office occupancy was stable at 94.6% in 3Q24.
Integrated Developments	121.7	+3.5	Raffles City Singapore benefitted from AEI.
Total	397.9	+1.7	
<b>Net Property Income (NPI)</b>			
Retail	104.3	+5.6	
Office	98.2	+5.3	
Integrated Developments	87.3	+5.3	
Total	298.8	+5.4	Benefitting from lower expenses on utilities and new property

Source: CICT, UOB Kay Hian

RESULTS

- CapitaLand Integrated Commercial Trust (CICT) provided its 3Q24 business update:
- Enhancing cost efficiency.** Gross revenue grew 1.7% yoy in 3Q24 due to higher rental income, despite an absence of income from Gallileo, which has been undergoing an asset enhancement initiative (AEI) since Feb 24. NPI margin expanded 2.5ppt yoy to 72.8% due to cost savings from lower utility expenses and the new property management agreement. Thus, NPI increased 5.4% yoy.
- Retail: Stronger rental reversion and shopper traffic from downtown malls.** The retail portfolio achieved positive rental reversion of 9.2% on an average incoming versus average outgoing basis in 9M24 (suburban: 9.0%, downtown: 9.4%). Occupancy was unchanged at 99.0% in 3Q24, while tenant retention remained healthy at 86.1%. Food & beverage, beauty & health and supermarkets continue to chalk up healthy growth in sales. Shopper traffic recovered 3.7% yoy in 9M24 (suburban: 1.9%, downtown: 5.7%). CICT has achieved committed occupancy of 100% for Phase 1 & 2 of AEI for IMM Building. New tenants, including a Birkenstock outlet, Le Creuset outlet and new food court Makan Street at Level 3, are targeted to start operations in 4Q24.
- Office: Maintained stable occupancy.** The office portfolio achieved a positive rental reversion of 11.7% in 9M24. Occupancy was stable at 97.4% for Singapore and 88.4% for Australia in 3Q24. Occupancy for Germany eased 6.7ppt qoq to 82.7% due to frictional vacancy at Main Airport Centre in Frankfurt caused by competition from new supply. Tenant retention was healthy at 84.9%. Rental reversion could moderate in 2H24 due to high average rents for expiring leases: S\$12.13psf for Asia Square Tower 2, S\$12.01psf for CapitaGreen, and S\$12.29psf for Six Battery Road

KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	1,442	1,560	1,600	1,776	1,803
EBITDA	947	1,014	1,059	1,169	1,187
Operating profit	947	1,014	1,059	1,169	1,187
Net profit (rep./act.)	723	863	734	829	851
Net profit (adj.)	756	749	734	829	851
EPU (S\$ cents)	11.4	11.3	10.6	11.3	11.6
DPU (S\$ cents)	10.6	10.8	10.7	11.4	11.7
PE (x)	17.7	17.9	19.0	17.8	17.4
P/B (x)	1.0	0.9	1.0	1.0	1.0
DPU Yld (%)	5.2	5.3	5.3	5.6	5.8
Net margin (%)	50.2	55.3	45.9	46.7	47.2
Net debt/(cash) to equity (%)	66.3	65.8	65.8	66.3	66.5
Interest cover (x)	4.2	3.8	3.3	3.4	3.5
ROE (%)	5.2	6.1	5.0	5.4	5.5
Consensus DPU (S\$ cent)	-	-	10.9	11.3	11.8
UOBKH/Consensus (x)	-	-	0.98	1.01	0.99

Source: CapitaLand Integrated Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.02
Target Price	S\$2.59
Upside	+28.2%

COMPANY DESCRIPTION

CICT is the first and largest S-REIT listed on the SGX. It was established as CapitaLand Mall Trust (CMT) in Jul 02 and was renamed CICT in Nov 20 following the merger with CapitaLand Commercial Trust (CCT).

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CICT SP
Shares issued (m):	7,286.6
Market cap (S\$m):	14,719.0
Market cap (US\$m):	11,169.3
3-mth avg daily t'over (US\$m):	50.0

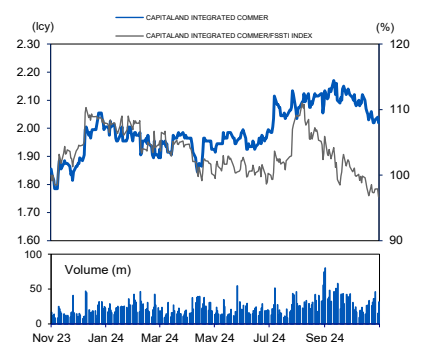
Price Performance (%)

52-week high/low	S\$2.20/S\$1.785			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(4.7)	(2.2)	4.9	10.1	(1.7)

Major Shareholders

Temasek Hldgs	24.0%
FY24 NAV/Share (S\$)	2.12
FY24 Net Debt/Share (S\$)	1.39

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Raising funds through its MTN programme.** CICT is rated A- by Standard & Poor's and A3 by Moody's. It issued S\$200m of fixed-rate green notes in Oct 24. The fixed-rate notes have a tenure of 10.5 years and mature on 30 Apr 35. The attractive coupon rate of 3.3% reflects CICT's strong credit standing. Medium-term notes (MTN) accounted for 43% of CICT's total borrowings.
- Cost of debt has stabilised.** Aggregate leverage eased slightly by 0.2ppt qoq to 39.8% as of Sep 24 due to its distribution reinvestment plan. Average cost of debt edged slightly higher by 0.1ppt qoq to 3.6% in 3Q24. About 76% of its borrowings are on fixed interest rates. Management expects cost of debt to be at high-3% in 2025.

### STOCK IMPACT

- Remains solidly anchored to home base Singapore.** CICT would remain predominantly invested in Singapore, which accounts for 94.2% of portfolio valuation after the acquisition of ION Orchard. It would continue to strengthen its Singapore portfolio through acquisitions and AEIs to increase its overall resiliency. Management is keen on expansion in integrated developments, which are more resilient throughout economic cycles. The office and residential components in integrated developments provide a constant flow of shoppers to the retail component. As for its overseas assets, CICT intends to focus on its existing investments in Australia and Germany. It does not want to dabble in a third overseas market.
- ION Orchard is DPU accretive.** CICT completed the acquisition of 50% stake in ION Orchard on 30 Oct 24. Management estimated that the acquisition is accretive to DPU by 0.9% for 1H24 on a pro forma basis assuming 70% of management fees is paid in units. DPU accretion could improve to 2.2% if CICT manages to secure tax transparency for ION Orchard. NAV per unit is expected to be relatively unchanged at S\$2.06. Aggregate leverage is also relatively unchanged at 39.9%.

- Further enhancing ION Orchard.** Management sees room to increase rental income by reconfiguring retail space, especially the upper floors (levels 3, 4 and 5). The AEI would be staggered over two years. CICT intends to maintain ION Orchard's prestige as an iconic premium mall. It has progressively backfilled some of the vacant space and occupancy has risen to above 96%. It seeks to obtain tax transparency for ION Orchard over the next 12 months.

### EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

### VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$2.59 is based on the dividend discount model (cost of equity: 6.5%, terminal growth: 2.2%).

### SHARE PRICE CATALYST

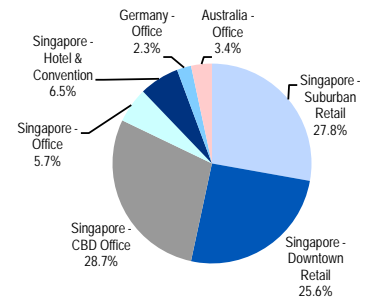
- Steady recovery in shopper traffic and tenant sales at CICT's downtown malls, driven by a recovery in tourist arrivals and work-from-office momentum.
- Asset enhancement and redevelopment of existing properties.

### KEY OPERATING METRICS

	3Q23	4Q23	1Q24	2Q24	3Q24	yoy % change	qoq % change*
DPU (S cents)	n.a.	5.45	n.a.	5.43	n.a.	n.a.	n.a.
NAV per unit (S\$)	n.a.	2.13	n.a.	2.13	n.a.	n.a.	n.a.
Occupancy	97.3%	97.3%	97.0%	96.8%	96.4%	-0.9ppt	-0.4ppt
Aggregate Leverage	40.8%	39.9%	40.0%	39.8%	39.4%	-1.4ppt	-0.4ppt
All-in-Financing Cost	3.3%	3.4%	3.5%	3.5%	3.6%	0.3ppt	0.1ppt
% Borrowing in Fixed Rates	78%	78%	76%	76%	76%	-2ppt	0ppt
WALE by Gross Rental	3.5	3.4	3.6	3.6	3.8	0.3yrs	0.2yrs
Debt Maturity	4.1	3.9	3.8	3.5	3.5	-0.6yrs	0yrs

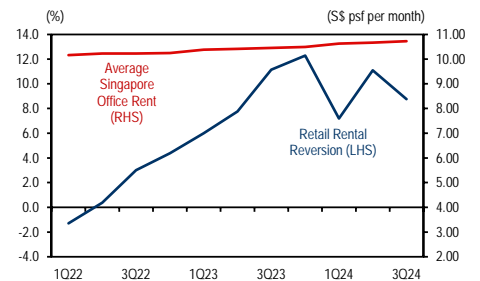
\* hoh % chg for DPU and NAV per unit.  
Source: CICT, UOB Kay Hian

### GROSS REVENUE BY ASSET TYPE (1H24)



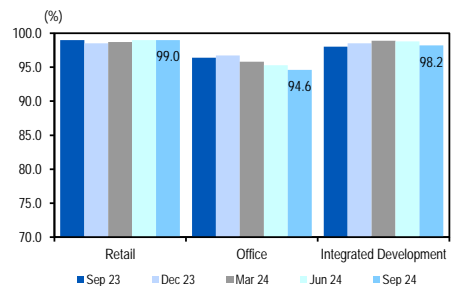
Source: CICT

### RENTAL REVERSION FOR RETAIL AND AVERAGE SINGAPORE OFFICE RENT



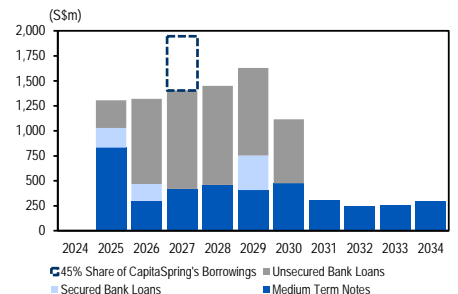
Source: CICT

### OCCUPANCY RATES



Source: CICT

### DEBT MATURITY PROFILE



Source: CICT

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	1,559.9	1,599.7	1,776.1	1,803.3
EBITDA	1,013.8	1,059.0	1,168.5	1,187.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	1,013.8	1,059.0	1,168.5	1,187.3
Total other non-operating income	113.6	0.0	0.0	0.0
Associate contributions	15.6	13.4	21.5	21.5
Net interest income/(expense)	(263.6)	(320.3)	(341.1)	(337.3)
<b>Pre-tax profit</b>	<b>879.3</b>	<b>752.1</b>	<b>848.9</b>	<b>871.4</b>
Tax	(10.1)	(12.5)	(20.0)	(20.0)
Minorities	(6.6)	(5.6)	(0.4)	(0.4)
Perpetual Securities	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>862.6</b>	<b>734.0</b>	<b>828.5</b>	<b>851.0</b>
Net profit (adj.)	749.0	734.0	828.5	851.0

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>1,079.8</b>	<b>1,191.9</b>	<b>1,195.7</b>	<b>1,155.2</b>
Pre-tax profit	765.8	752.1	848.9	871.4
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	(15.6)	(13.4)	(21.5)	(21.5)
Working capital changes	29.9	1.8	36.2	5.6
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	299.7	451.4	332.0	299.6
<b>Investing</b>	<b>(38.9)</b>	<b>(2,048.5)</b>	<b>(85.0)</b>	<b>30.0</b>
Capex (growth)	0.0	(1,848.5)	0.0	0.0
Capex (maintenance)	(118.1)	(260.0)	(145.0)	(30.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	79.2	60.0	60.0	60.0
<b>Financing</b>	<b>(1,148.6)</b>	<b>872.5</b>	<b>(1,119.8)</b>	<b>(1,199.0)</b>
Distribution to unitholders	(708.2)	(736.5)	(832.7)	(855.7)
Issue of shares	0.0	1,107.5	0.0	0.0
Proceeds from borrowings	(92.6)	839.4	70.0	10.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(347.9)	(338.0)	(357.1)	(353.3)
<b>Net cash inflow (outflow)</b>	<b>(107.7)</b>	<b>15.9</b>	<b>(9.1)</b>	<b>(13.8)</b>
Beginning cash & cash equivalent	248.4	140.7	156.6	147.4
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>140.7</b>	<b>156.6</b>	<b>147.4</b>	<b>133.6</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	24,029.9	26,087.2	26,232.2	26,262.2
Other LT assets	514.7	479.0	479.0	479.0
Cash/ST investment	140.7	156.6	147.4	133.6
Other current assets	53.8	73.1	80.4	81.5
<b>Total assets</b>	<b>24,739.1</b>	<b>26,795.8</b>	<b>26,939.0</b>	<b>26,956.3</b>
ST debt	1,001.4	1,467.1	1,467.1	1,467.1
Other current liabilities	487.0	516.5	572.0	580.6
LT debt	8,476.4	8,850.0	8,920.0	8,930.0
Other LT liabilities	372.6	312.5	334.3	337.7
Shareholders' equity	14,199.8	15,447.7	15,443.5	15,438.8
Minority interest	201.9	202.0	202.0	202.0
<b>Total liabilities &amp; equity</b>	<b>24,739.1</b>	<b>26,795.8</b>	<b>26,939.0</b>	<b>26,956.3</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	65.0	66.2	65.8	65.8
Pre-tax margin	56.4	47.0	47.8	48.3
Net margin	55.3	45.9	46.7	47.2
ROA	3.5	2.8	3.1	3.2
ROE	6.1	5.0	5.4	5.5
<b>Growth</b>				
Turnover	8.2	2.5	11.0	1.5
EBITDA	7.1	4.5	10.3	1.6
Pre-tax profit	20.5	(14.5)	12.9	2.6
Net profit	19.2	(14.9)	12.9	2.7
Net profit (adj.)	(0.9)	(2.0)	12.9	2.7
EPU	(1.3)	(5.8)	6.9	2.3
<b>Leverage</b>				
Debt to total capital	39.7	39.7	39.9	39.9
Debt to equity	66.7	66.8	67.3	67.3
Net debt/(cash) to equity	65.8	65.8	66.3	66.5
Interest cover (x)	3.8	3.3	3.4	3.5

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