

COMPANY RESULTS

Lendlease Global Commercial REIT (LREIT SP)

1QFY25: Resiliency From Singapore; Progressively Backfilling Building 3 In Milan

Rental reversion was stable at high single digits for Jem but eased slightly to high teens for 313@Somerset. Management has secured new electricity tariff contracts for Jem and 313@Somerset, which will reduce utilities expenses by 30% or S\$4m-5m per year. Occupancy at Building 3 of Sky Complex will rise above 30% if leases with two prospective new tenants are successfully concluded. LREIT provides FY25 distribution yield of 6.8%. Maintain BUY. Target price: S\$0.77.

RESULTS

- Lendlease Global Commercial REIT (LREIT) provided business updates for 1QFY25:
- Resiliency growth from Jem and temporary hump at 313@Somerset.** LREIT maintained positive double-digit rental reversion of 11.4% on an average vs average basis in 1QFY25. Rental reversion was stable at high single digit for Jem (FY24: high single digit). 313@Somerset saw softer rental reversion at high teens (FY24: 20%) due to renewal for an anchor F&B tenant. Tenant retention rate was healthy at 90%. Jem is fully occupied, while 313@Somerset is near full occupancy at 99.6%.
- Tenant sales affected by temporary disruptions.** Tenant sales slipped 5.7% yoy but remained about 11% above pre-pandemic levels in 1QFY25. Jem was affected by the temporary disruption to train services at Jurong East MRT station in September but normal train services have resumed in October. Food Republic, the food court operator at 313@Somerset, was undergoing renovations, which disrupted the flow of shopper traffic. The refreshed look and new dining options will be ready by end-24. Essential services accounted for 57% of gross rental income.
- Cost of debt has stabilised.** Aggregate leverage was stable at 40.7% as of end-Sep 24. About 70% of its borrowings is at fixed interest rates. Average cost of debt rose to 3.74% (FY24: 3.58%) due to the full impact of higher fixed interest rates after replacing EURIBOR interest rate hedges. Management has commenced discussions with banks on refinancing S\$360m of borrowings due in Apr 25. Nevertheless, management expects cost of debt to be stable at about 3.74% in FY25.

KEY FINANCIALS

Year to 30 Jun (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	205	221	210	219	225
EBITDA	131	144	135	141	145
Operating profit	131	144	135	141	145
Net profit (rep./act.)	100	58	49	53	56
Net profit (adj.)	63	61	49	53	56
EPU (S\$ cent)	2.7	2.7	2.1	2.3	2.4
DPU (S\$ cent)	4.7	3.9	3.9	3.9	3.8
PE (x)	20.7	21.4	27.1	25.2	24.2
P/B (x)	0.7	0.7	0.7	0.8	0.8
DPU Yld (%)	8.2	6.8	6.8	6.8	6.7
Net margin (%)	48.8	26.2	23.3	24.3	24.8
Net debt/(cash) to equity (%)	65.4	67.9	71.0	74.2	77.2
Interest cover (x)	2.6	2.2	2.0	2.0	2.1
ROE (%)	4.5	2.6	2.2	2.5	2.6
Consensus DPU (S\$ cent)	-	-	3.9	3.9	4.0
UOBKH/Consensus (x)	-	-	1.00	1.00	0.96

Source: Lendlease Global Commercial REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.57
Target Price	S\$0.77
Upside	+35.1%

COMPANY DESCRIPTION

LREIT invests in stabilised income-producing properties located globally, which are used for retail and/or office purposes. Its portfolio comprises two retail malls 313@Somerset at Orchard Road and Jem at Jurong East in Singapore and Sky Complex with three grade A office buildings in Milan, Italy.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	LREIT SP
Shares issued (m):	2,393.6
Market cap (S\$m):	1,364.4
Market cap (US\$m):	1,019.9
3-mth avg daily t'over (US\$m):	2.7

Price Performance (%)

52-week high/low S\$0.655/S\$0.51

1mth	3mth	6mth	1yr	YTD
(4.2)	3.6	2.7	3.6	(11.6)

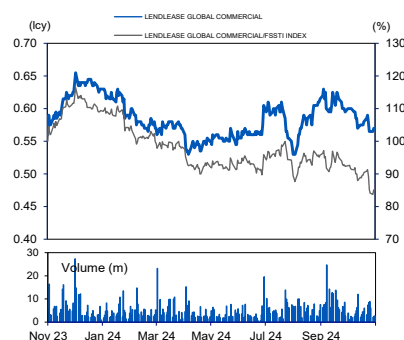
Major Shareholders

	%
Lendlease Corp Ltd	28.0

FY25 NAV/Share (S\$) 0.76

FY25 Net Debt/Share (S\$) 0.66

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jonathan Koh, CFA, MSc Econ

+65 6590 6620

jonathankoh@uobkayhian.com

STOCK IMPACT

- Continued recovery in retail rents.** Robust leasing demand is driven by F&B operators and health & wellness, augmented by niche areas, such as gaming and collectibles. Singapore remains attractive for global brands. According to CBRE, rents at Orchard Road increased 4.8% yoy in 3Q24, higher than the 2.1% yoy increase for suburban malls. Continued recovery for Orchard Road is supported by tourism recovery, including a strong pipeline of MICE events and concerts, and back-to-office momentum. Retail rents are expected to sustain their recovery due to muted new supply.
- Multi-functional event space will draw more shopper traffic to 313@Somerset.** LREIT has handed the site over to Live Nation, the tenant for the multi-functional event space at Grange Road Car Park. Construction is expected to commence by end-24 (currently pending regulatory approval), and should be completed within the next 12-18 months. LREIT benefits from rental income and profit sharing from the multi-functional event space. Most importantly, the event venue would attract throngs of concertgoers and music fanatics, thereby boosting shopper traffic at 313@Somerset.
- Upside from rent review at Jem.** The lease with the Ministry of National Development, which fully occupies the office block at Jem, is scheduled for a rent review at end-24. Management expects high single-digit rental reversion from the rent review. Higher rental rate from the rent review could support higher valuations in the event that management proceeds to divest the office block.
- Proactively pursuing cost containment and improving cost efficiency.** Management has secured a two-year electricity tariff contract for Jem and 313@Somerset at a lower rate, which reduces utilities expenses by 30% or S\$4m-5m per year for the next two years. The lower electricity tariff has kicked in starting Jul 24.
- Backfilling vacant space at Building 3.** Building 3 of Sky Complex in Milan, Italy is being repositioned as a multi-tenanted office building. LREIT has signed a new lease with a steel company, and occupancy for Building 3 is currently estimated at 7%. Prospective tenants are attracted to Sky Complex's location next to Rogoredo Station, large floor plate and strong green credentials. LREIT is in advanced negotiations with an international school (one floor) and a co-working space operator. Occupancy will rise above 30% if the two leases are successfully concluded. Buildings 1 and 2 benefitted from a rental uplift of 1.2% with effect from Apr 24.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$0.77 is based on DDM (cost of equity: 7.0%, terminal growth: 2.2%).

SHARE PRICE CATALYST

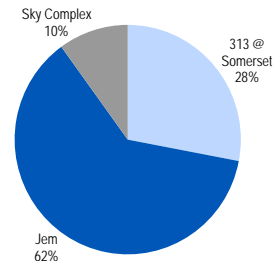
- 313@Somerset benefits from employees returning to their offices in the CBD and tourists flocking back to shop at Orchard Road. The new multi-functional event space at Grange Road Car Park will increase shopper traffic to 313@Somerset.
- Jem benefits from the development of Jurong Gateway as Singapore's second CBD.

KEY OPERATING METRICS - LREIT

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	yoy % Chg	qoq % Chg*
DPU (S cents)	n.a.	2.10	n.a.	1.77	n.a.	n.a.	n.a.
Aggregate Leverage	40.6%	40.5%	41.0%	40.9%	40.7%	0.1ppt	-0.2ppt
Average Cost of Debt	2.94%	3.37%	3.50%	3.58%	3.74%	0.8ppt	0.2ppt
% Borrowings on Fixed Rate	61%	61%	61%	61%	70%	9ppt	9ppt
Weighted Debt Maturity (years)	3.1	3.0	2.8	2.5	2.3	-0.8yrs	-0.2yrs
WALE by NLA (years)	8.0	7.9	7.8	7.5	7.4	-0.6yrs	-0.1yrs

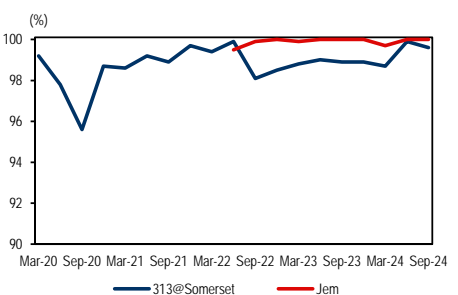
Source: LREIT, UOB Kay Hian * hoh % chg for DPU

PORTFOLIO VALUATION BY PROPERTY



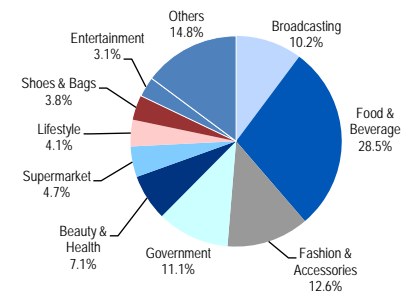
Source: LREIT

OCCUPANCY FOR JEM AND 313@SOMERSET



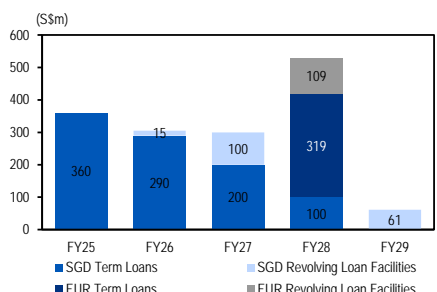
Source: LREIT

GROSS RENTAL INCOME BY TRADE SECTOR (JUN 24)



Source: LREIT

DEBT MATURITY PROFILE



Source: LREIT

PROFIT & LOSS

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Net turnover	220.9	210.2	218.5	224.9
EBITDA	143.5	134.6	140.5	145.1
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	143.5	134.6	140.5	145.1
Total other non-operating income	(3.3)	0.0	0.0	0.0
Associate contributions	0.6	0.0	0.0	0.0
Net interest income/(expense)	(63.8)	(66.7)	(68.6)	(70.4)
Pre-tax profit	77.0	67.8	71.9	74.7
Tax	0.0	0.0	0.0	0.0
Minorities	(0.2)	0.0	0.0	0.0
Perpetual Securities	(19.0)	(18.9)	(18.9)	(18.9)
Net profit	57.9	48.9	53.0	55.8
Net profit (adj.)	61.2	48.9	53.0	55.8

CASH FLOW

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Operating	128.8	164.0	165.8	169.9
Pre-tax profit	57.9	48.9	53.0	55.8
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(40.4)	6.0	1.9	1.4
Non-cash items	47.2	31.1	31.5	31.7
Other operating cashflows	64.0	77.9	79.4	81.0
Investing	0.5	(4.0)	(4.0)	(4.0)
Capex (growth)	(0.1)	0.0	0.0	0.0
Capex (maintenance)	(7.5)	(4.0)	(4.0)	(4.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	8.1	0.0	0.0	0.0
Financing	(149.3)	(157.5)	(161.9)	(168.2)
Distribution to unitholders	(93.5)	(90.3)	(91.1)	(90.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	20.0	41.7	40.0	35.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(75.7)	(109.0)	(110.9)	(112.7)
Net cash inflow (outflow)	(20.0)	2.5	(0.2)	(2.3)
Beginning cash & cash equivalent	54.2	34.1	36.6	36.4
Changes due to forex impact	(0.1)	0.0	0.0	0.0
Ending cash & cash equivalent	34.1	36.6	36.4	34.1

BALANCE SHEET

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Fixed assets	3,682.4	3,686.4	3,690.4	3,694.4
Other LT assets	97.8	97.8	97.8	97.8
Cash/ST investment	34.1	36.6	36.4	34.1
Other current assets	15.5	13.3	13.5	13.7
Total assets	3,829.8	3,834.1	3,838.1	3,840.0
ST debt	357.7	357.7	357.7	357.7
Other current liabilities	55.6	59.5	61.6	63.1
LT debt	1,178.3	1,220.0	1,260.0	1,295.0
Other LT liabilities	25.9	25.9	25.9	25.9
Shareholders' equity	2,211.1	2,169.8	2,131.7	2,097.0
Minority interest	1.2	1.2	1.2	1.2
Total liabilities & equity	3,829.8	3,834.1	3,838.1	3,840.0

KEY METRICS

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	65.0	64.0	64.3	64.5
Pre-tax margin	34.9	32.3	32.9	33.2
Net margin	26.2	23.3	24.3	24.8
ROA	1.5	1.3	1.4	1.5
ROE	2.6	2.2	2.5	2.6
Growth				
Turnover	7.8	(4.8)	4.0	2.9
EBITDA	9.7	(6.2)	4.4	3.3
Pre-tax profit	(35.0)	(11.9)	6.0	3.9
Net profit	(42.0)	(15.5)	8.3	5.3
Net profit (adj.)	(2.3)	(20.0)	8.3	5.3
EPU	(3.3)	(20.7)	7.3	4.3
Leverage				
Debt to total capital	41.0	42.1	43.1	44.1
Debt to equity	69.5	72.7	75.9	78.8
Net debt/(cash) to equity	67.9	71.0	74.2	77.2
Interest cover (x)	2.2	2.0	2.0	2.1

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