

Singapore Company Guide

Suntec REIT

Version 10 | Bloomberg: SUN SP | Reuters: SUNT.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Jul 2018

BUY

Last Traded Price (25 Jul 2018): S\$1.87 (STI : 3,326.83)

Price Target 12-mth: S\$2.30 (23% upside)

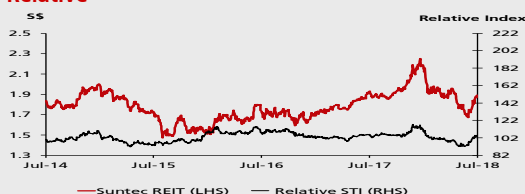
Analyst

Mervin SONG, CFA +65 6682 3715 mervinsong@dbs.com
Derek TAN +65 6682 3716 derektan@dbs.com

What's New

- 2Q18 DPU of 2.474 Scts (-0.8% y-o-y) in line with expectations
- But underlying DPU down 4.2% y-o-y largely due to transitional downtime at Suntec Office
- Suntec City Mall's turnaround continues with 2Q18 NPI up 2.4% y-o-y, tenant sales rising 5% and mid-single-digit rental reversions
- Remains leveraged to the upturn in Singapore office rents

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2017A	2018F	2019F	2020F
Gross Revenue	354	360	377	409
Net Property Inc	244	242	256	279
Total Return	220	161	171	189
Distribution Inc	263	268	271	274
EPU (S cts)	6.36	6.02	6.31	6.89
EPU Gth (%)	(8)	(5)	5	9
DPU (S cts)	10.0	10.0	10.0	10.00
DPU Gth (%)	0	0	0	0
NAV per shr (S cts)	212	210	207	206
PE (X)	29.4	31.1	29.7	27.2
Distribution Yield (%)	5.4	5.3	5.3	5.3
P/NAV (x)	0.9	0.9	0.9	0.9
Aggregate Leverage (%)	36.4	37.3	37.9	38.6
ROAE (%)	3.0	2.9	3.0	3.4
Distn. Inc Chng (%):	-	-	-	-
Consensus DPU (S cts):	10.0	10.0	10.1	
Other Broker Recs:	B: 4	S: 4	H: 12	

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

Ahead of the pack

Market turning around to our expectations. We maintain our BUY call on Suntec REIT (Suntec) with a TP of S\$2.30. Since the start of the year, two other sell-side analysts have joined us in being bullish on Suntec. As CEO Mr Chan Kong Leong orchestrates the sustained turnaround of Suntec City Mall, spot office rents maintain their upward trajectory and underlying DPU improves, we believe more investors and other sell-side analysts will become convinced that Suntec is undervalued.

Where we differ – Street-high target price. We have a street-high TP of S\$2.30 compared to consensus TP of c.S\$1.88. We believe Suntec deserves to trade towards our TP, given office buildings and shopping malls in Singapore have been recently sold on 1.7-2.7% and 3-4% exit yields respectively, below the cap rate of 3.75-4% and 5% used to value Suntec's office and retail properties. Furthermore, with office rents expected to be on a multi-year upturn, this typically coincides with office REITs such as Suntec, trading at a premium to book. Finally, our TP is pegged to a price which would allow any potential bidder to generate a 10% IRR. While we are not privy to any potential takeover offers, our analysis was done to reflect market speculation of a Suntec privatisation over the years.

Closing the rental gap. Passing rents at Suntec City Mall of S\$10-11 psf/mth are at a significant discount to other suburban malls of up to S\$17-18 psf/mth. We believe as Suntec remixes its tenant mix and picks the low-hanging fruits such as placing children stores next to the playground rather than at opposite ends of the mall, the resultant higher foot traffic, tenant sales and improving rents should act as re-rating catalysts.

Valuation:

We maintain our DCF-based TP of S\$2.30. With over 25% total return in the coming year, we reiterate our BUY call.

Key Risks to Our View:

The key risks to our bullish view are a downturn in the office market and the failure to revitalise Suntec City Mall.

At A Glance

Issued Capital (m shrs)	2,664
Mkt. Cap (S\$m/US\$m)	4,982 / 3,668
Major Shareholders (%)	
Raffles Investments Ltd	10.5
Gordon Tang	9.6
ARA Re Investment Group Sg Pte	7.1
Free Float (%)	72.8
3m Avg. Daily Val (US\$m)	13.4
ICB Industry : Financials / Real Estate Investment Trust	

WHAT'S NEW**Transitional dip****(+/-) 2Q18 DPU down 0.8% y-o-y**

- 2Q18 DPU came in at 2.474 Scts (-0.8% y-o-y) translating into 1H18 DPU of 4.907 Scts (-0.2% y-o-y). 1H18 DPU represented c.49% of our FY18F and was in line with our expectations.
- However, excluding S\$10m worth of capital distributions (S\$8m in 2Q17), underlying 2Q18 would have been 2.099 Scts (-4.2% y-o-y) which represented c.23% of our FY18F DPU and was below expectations. The underperformance was largely due to weaker NPI margins at Suntec Office (76.9% versus 80% level achieved over FY17) and a weaker AUD compared to our earlier expectations.
- The overall decline in 2Q18 DPU was also attributed to a 1% increase in units on issue, lower contributions from its JV assets (One Raffles Quay and MBFC – impact of prior negative rental reversions and downtime) and 9.8% drop in NPI from Suntec Office.
- Suntec Office suffered despite committed occupancy rising to 99.7% from 97.9% in 2Q18 as the property was impacted by a drop in signing rents in prior quarters, transitional downtime for replacement leases (effective occupancy of 94%) and contribution to the sinking fund to finance the refurbishment of the lobby and lift areas for the property. Stripping out the contribution to the sinking fund, 2Q18 NPI for Suntec Office would have fallen by 7.4% y-o-y.
- The turnaround at Suntec City Mall continued with 2Q18 revenue and NPI increasing by 2.4% and 2.7% y-o-y respectively, largely on the back of an improvement in occupancy (98.6% versus 96.8% in 2Q17).
- Meanwhile, the convention business had a good quarter with 2Q18 revenue and NPI jumping 30.9% and 110.7% y-o-y respectively as 2018 is an even year which typically results in a higher number of conventions coming to Singapore.
- The Australian properties also had a good quarter despite the headwinds from a weaker AUD, with 2Q18 NPI for 177 Pacific Highway up 4.3% y-o-y. Associate contribution from Southgate rose 191.7% y-o-y as Suntec increased its stake in the property from 25% to 50%. Office occupancy at Southgate improved marginally to 92.7% from 92.5% at end-1Q18 with Suntec guiding that it had subsequently signed a heads of agreement for an additional 7% of NLA.

(+) Upturn in foot traffic and tenant sales at Suntec City Mall continues

- The improvement at Suntec City Mall continued with 1H18 foot traffic up 8.5% y-o-y although slower than the 12.7% and 12.8% y-o-y increase reported in 1Q18 and FY17 respectively.
- The healthy increase in tenant sales was also maintained, rising 5% y-o-y in 2Q18 (+5.2% for 1H18 and +4.8% for FY17).
- We understand that over the quarter, Suntec was able to achieve positive rental reversions in the mid-single digits for Suntec City Mall.
- With management's active tenant remixing as seen by the low 59% tenant retention rate in 2Q18, repositioning of certain sections of the mall (North wing will now be a fitness and wellness zone), reduction in shop unit sizes to maximise sales efficiency, and improvements in the circulation throughout the mall, we remain confident that Suntec is on track to close the discount in rents achieved at the property compared to other suburban malls (average passing rent between S\$10-12 psf/mth compared to other suburban malls of up to S\$18 psf/mth).
- In addition, over the quarter, with the removal of secondary corridors, Suntec was able to boost net lettable area (NLA) by around 20,000 sqft. We understand that future reconfiguring of the mall, including shifting service desks, should also result in additional NLA.

(+) Stable q-o-q signing rents at Suntec Office

- In 2Q18, average signing rents for Suntec Office stood at S\$8.95 psf/mth, flat q-o-q, but up from S\$8.79 psf/mth in 2Q17. Based on these signing rents, Suntec reported that it achieved low single-digit rental reversions across its office portfolio.
- Post the renewals over the quarter, another 5.1% of leases by NLA in Suntec's office portfolio are set to expire for the remainder of the year, down 9% in the prior quarter. Another 15.1% of leases are due for renewal in FY19.
- With committed occupancies improving to 99.7% and WeWork which is taking up c.36,500 sqft of space over two floors at Tower 5 commencing in 4Q18, we believe contribution from the office should rebound in 2H, after a poor 2Q18 performance.

- Furthermore, with Suntec embarking on the upgrading of lift lobbies and washrooms at Suntec Office, we believe this should also help improve the positioning and rents of the property over time. The 3-year project is expected to commence in 4Q18 and is targeted to be completed by end-2021. Total cost for the renovation works is approximately S\$55m.

(-) Increase in gearing and borrowing costs

- On the back of the acquisition of an additional 25% interest in Southgate, aggregate leverage increased to 37.9% from 36.6% as at end-March 2018.
- However, borrowing cost was relatively stable at 2.74%.
- Meanwhile, the proportion of fixed rate debt inched up to 70% from c.65% in the prior quarter.
- NAV per unit (excluding distributions) was stable at S\$2.08.

(-) Moderating underlying DPU

- Due to the lower effective occupancies at Suntec Office and accounting for the depreciation of the AUD, we trimmed our underlying FY18-19F DPU by 2-4%. Nevertheless, we still expect DPU to be maintained over the next three years at around 10 Scts p.a. given management guidance of maintaining a stable DPU with underlying DPU projected to grow by 3% p.a. over the same period.
- With around S\$90m worth of capital gains yet to be distributed, we believe with underlying operations improving, Suntec has sufficient cash to maintain a stable DPU until underlying DPU increases beyond 10 Scts in FY21. We project capital distributions of c.S\$34m in FY18F before dropping to c.S\$10m by FY20F.
- Despite the drop in our earnings estimates, after rolling forward our DCF valuation to FY19, we maintain our TP at S\$2.30.

Maintain BUY, TP of S\$2.30

- Despite weaker-than-expected contribution from Suntec Office in 2Q18, which in some ways is transitional in nature, causing underlying 2Q18 to fall short, we reiterate our BUY call with TP of S\$2.30.
- We continue to like Suntec for its exposure to the expected multi-year in office rents and the turnaround of Suntec City Mall.

Quarterly / Interim Income Statement (S\$m)

FY Dec	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Gross revenue	87.3	90.7	90.5	3.7	(0.2)
Property expenses	(27.9)	(27.7)	(29.8)	6.9	7.5
Net Property Income	59.4	63.0	60.7	2.2	(3.6)
Other Operating expenses	(12.7)	(12.7)	(13.0)	1.8	1.7
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Net Interest (Exp)/Inc	(28.8)	(16.9)	(15.4)	46.6	8.8
Exceptional Gain/(Loss)	0.30	12.5	0.14	(53.3)	nm
Net Income	35.7	63.7	61.2	71.6	(4.0)
Tax	(1.2)	(1.7)	(1.8)	52.8	4.0
Minority Interest	(0.9)	(1.8)	(2.0)	(125.2)	10.0
Net Income after Tax	33.6	60.2	57.4	70.8	(4.6)
Total Return	33.6	60.2	57.4	70.8	(4.6)
Non-tax deductible Items	24.4	(1.9)	(1.4)	nm	(25.2)
Net Inc available for Dist.	66.0	64.8	66.0	0.0	1.8
Ratio (%)					
Net Prop Inc Margin	68.1	69.4	67.1		
Dist. Payout Ratio	100.0	100.0	100.0		

Source of all data: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

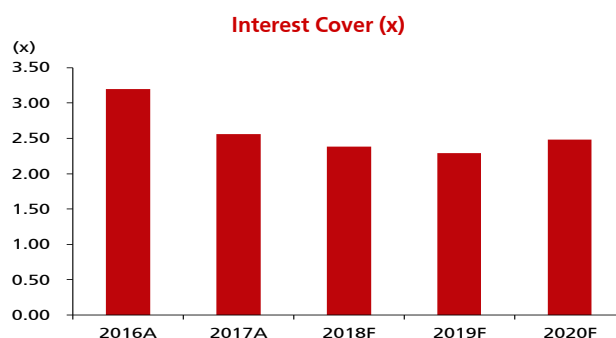
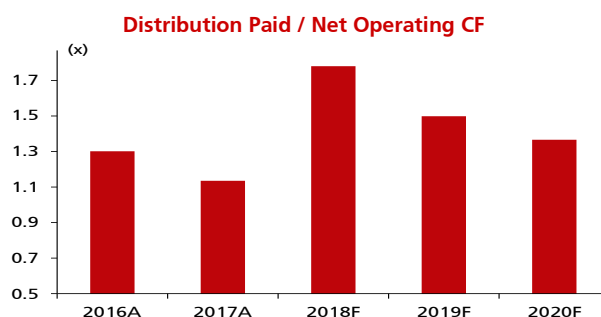
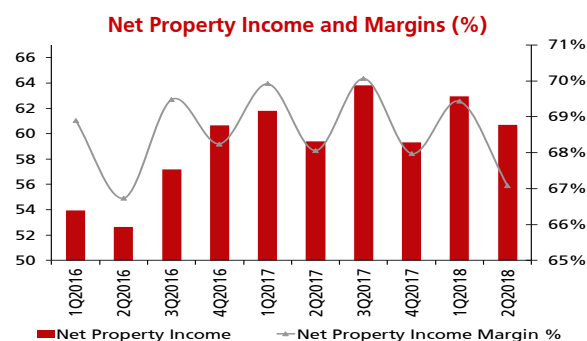
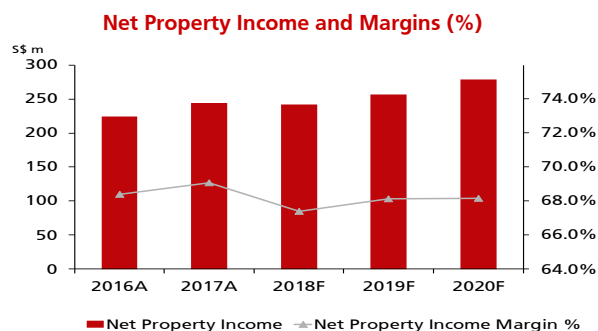
Critical Factors

Leveraged to recovery in Singapore office market. Suntec currently owns three office assets in Singapore’s CBD – Suntec Office, One Raffles Quay (ORQ; 33%), and MBFC Towers 1 and 2 (33%). With expectations of multi-year recovery in Grade A office rents from 2018 onwards as new supply eases, Suntec is well positioned to ride the uptrend. Nevertheless, in the near term, there remains some downside risks to earnings from the negative rental reversions over the past year. In the medium term, the prime location of ORQ and MBFC places the REIT in a strong position to retain and attract tenants. Suntec Office has the advantage of ample car parking spaces, connectivity to two MRT stations and a wide choice of amenities, as it is located next to Suntec City Mall.

Turnaround of Suntec City Mall despite near-term retail headwinds. With Singapore consumers cutting back on discretionary spending over the past couple of years and compared to the initial rents signed at Suntec City Mall during more buoyant times, rents at the mall had been under pressure. Nevertheless, with the recent appointment of Mr Chan Kong Leong formerly with CapitaMalls Asia, recent changes in tenant mix including the introduction of new-to-market retail brands, improved marketing, greater number of events as well as better engagement with its tenants, tenant sales and foot traffic have improved. We believe Mr Chan has the right strategy in place to turn around Suntec City Mall as he continues to change the tenant mix, thus resulting in higher retail rents over time. Evidence of a turnaround can be seen by the mall finally generating positive rental reversions this year and tenants' sales growth of c.5%.

30% stake Park Mall redevelopment. Suntec completed the sale of Park Mall for S\$412m in 4Q15, and has taken a 30% stake in the JV which will completely redevelop Park Mall into a commercial development, comprising two office towers with an ancillary retail podium. Suntec will subsequently have the option to acquire one of the two office towers. The redevelopment project and eventual acquisition of the office tower will be a long-term growth driver for the REIT.

Acquisition of additional stake in Southgate property and 477 Collins Street in Melbourne. Suntec recently increased its stake in Southgate from 25% to 50%, a mixed office-and-retail property in Melbourne. In addition, the recent acquisition of a 50% interest in 477 Collins Street, which is scheduled to be completed in mid-2020, provides the REIT an earnings uplift in the medium term.



Source: Company, DBS Bank

Balance Sheet:

Uptick in gearing expected. With Suntec likely to increase its effective interest in the Southgate Complex from 25% to 50% and its plans to acquire 477 Collins Street, its gearing is expected to stabilise closer to the 40% level by 2021. This compares to its current gearing of around 38%.

Majority of borrowings on fixed rates. As at 30 June 2018, approximately 70% of Suntec's borrowings were on fixed rates which should mitigate any rise in interest rates. Management has guided that it intends to hedge 65-75% of its borrowing going forward.

Share Price Drivers:

Better-than-expected performance at Suntec City Mall. Higher occupancy rates at Suntec City Mall, as well as better-than-expected rental reversions, present potential upside to our earnings estimates.

Recovery in the Singapore office market. Should office rents in Singapore recover as supply eases from 2018 onwards, this will likely translate into higher earnings for Suntec and likely lead to a re-rating of the stock.

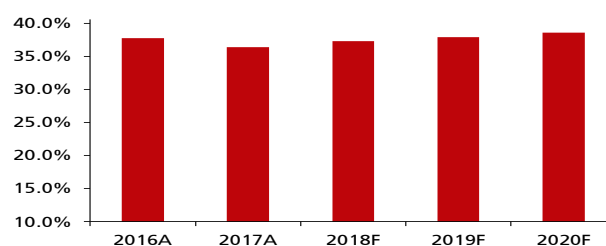
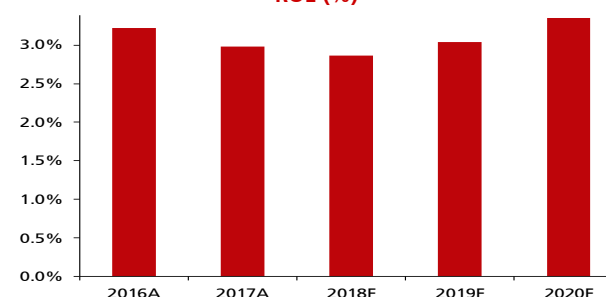
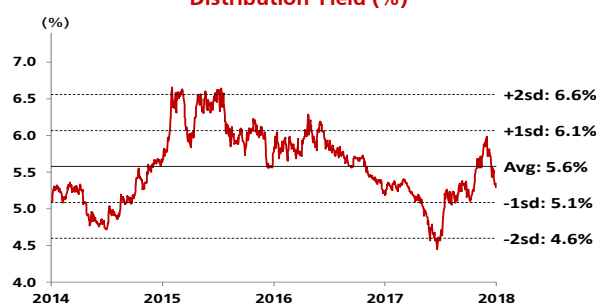
Key Risks:

Turnaround of Suntec City Mall. We believe the turnaround of Suntec City Mall as it closes the large discount in rents to other suburban malls will drive Suntec's share price higher.

Multi-year recovery in office rents. In past upturns in office rents, office REITs traded at a premium to book. With expectations of easing new supply until 2022 and a pick-up in the Singapore economy, we believe we are at the start of a multi-year growth story. Thus, we believe the rally in Suntec's share price can continue despite its strong run in 2017.

Company Background

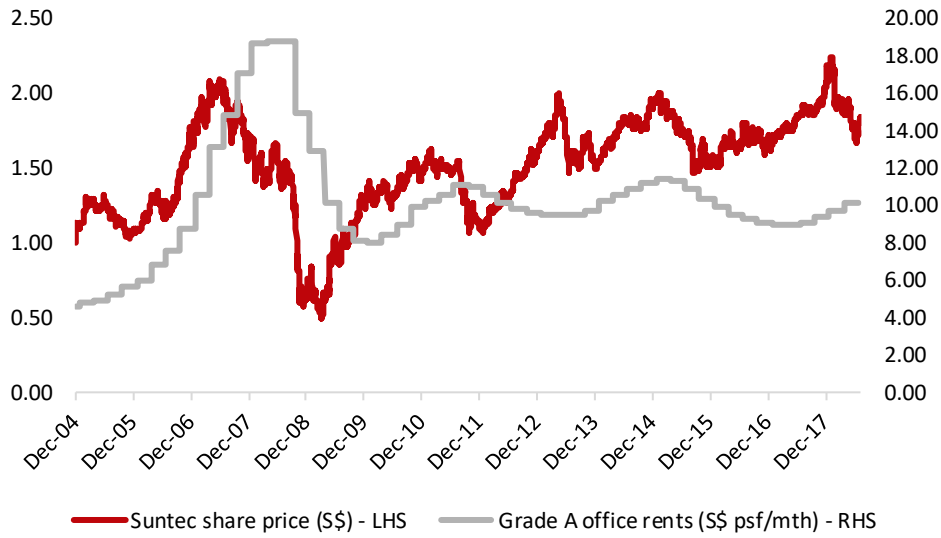
Suntec REIT (Suntec) has a portfolio of office and retail properties in Singapore and Australia. Its most prominent asset is Suntec City, which comprises four office towers, a retail mall, and a convention centre, located close to the city area of Singapore.

Aggregate Leverage (%)**ROE (%)****Distribution Yield (%)****PB Band (x)**

Source: Company, DBS Bank

Suntec REIT

Suntec's share price versus Singapore office rents



Remarks

Suntec's share price performance is highly correlated with the performance of spot office rents and typically leads a recovery or downturn in spot rents by 6-12 months.

On anticipation of a recovery in the office market, we expect Suntec's share price to remain on an uptrend.

Source: Bloomberg Finance L.P., CBRE, DBS Bank

Income Statement (\$\$m)

FY Dec	2016A	2017A	2018F	2019F	2020F
Gross revenue	329	354	360	377	409
Property expenses	(104)	(110)	(118)	(120)	(131)
Net Property Income	225	244	242	256	279
Other Operating expenses	(49.8)	(51.0)	(53.1)	(53.9)	(55.2)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(54.7)	(75.6)	(79.4)	(88.3)	(90.1)
Exceptional Gain/(Loss)	(0.4)	(5.5)	0.0	0.0	0.0
Net Income	205	193	185	196	217
Tax	(14.2)	(18.3)	(14.0)	(15.7)	(17.7)
Minority Interest	(14.7)	(8.7)	(9.5)	(9.1)	(10.4)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Income After Tax	176	166	161	171	189
Total Return	247	220	161	171	189
Non-tax deductible Items	(16.8)	13.7	107	100	85.3
Net Inc available for Dist.	254	263	268	271	274
Growth & Ratio					
Revenue Gth (%)	(0.3)	7.8	1.7	4.6	8.6
N Property Inc Gth (%)	(2.0)	8.9	(0.8)	5.8	8.7
Net Inc Gth (%)	(22.1)	(5.7)	(2.7)	6.0	10.4
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	68.3	69.0	67.3	68.1	68.1
Net Income Margins (%)	53.5	46.8	44.8	45.4	46.1
Dist to revenue (%)	77.2	74.3	74.4	71.9	66.9
Managers & Trustee's fees	15.1	14.4	14.7	14.3	13.5
ROAE (%)	3.2	3.0	2.9	3.0	3.4
ROA (%)	1.9	1.8	1.7	1.8	2.0
ROCE (%)	1.8	1.9	1.9	2.0	2.2
Int. Cover (x)	3.2	2.6	2.4	2.3	2.5

Source: Company, DBS Bank

Driven mainly by the contribution of 177 Pacific Highway, Southgate and 477 Collins Street in Australia

Quarterly / Interim Income Statement (\$m)

FY Dec	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018
Gross revenue	87.3	91.1	87.3	90.7	90.5
Property expenses	(27.9)	(27.3)	(28.0)	(27.7)	(29.8)
Net Property Income	59.4	63.9	59.4	63.0	60.7
Other Operating expenses	(12.7)	(12.8)	(12.5)	(12.7)	(13.0)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(28.8)	(16.1)	(15.8)	(16.9)	(15.4)
Exceptional Gain/(Loss)	0.30	3.27	(5.6)	12.5	0.14
Net Income	35.7	56.4	50.5	63.7	61.2
Tax	(1.2)	(1.5)	(11.8)	(1.7)	(1.8)
Minority Interest	(0.9)	(1.7)	(6.0)	(1.8)	(2.0)
Net Income after Tax	33.6	53.2	32.7	60.2	57.4
Total Return	33.6	53.2	87.3	60.2	57.4
Non-tax deductible Items	24.4	4.68	(28.0)	(1.9)	(1.4)
Net Inc available for Dist.	66.0	65.9	69.3	64.8	66.0
Growth & Ratio					
Revenue Gth (%)	(1)	4	(4)	4	0
N Property Inc Gth (%)	(4)	7	(7)	6	(4)
Net Inc Gth (%)	(27)	58	(39)	84	(5)
Net Prop Inc Margin (%)	68.1	70.1	68.0	69.4	67.1
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Balance Sheet (\$m)

FY Dec	2016A	2017A	2018F	2019F	2020F
Investment Properties	6,248	6,387	6,470	6,595	6,717
Other LT Assets	2,648	2,663	2,838	2,838	2,838
Cash & ST Invt	182	173	130	90.2	69.9
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	14.8	18.2	18.0	18.8	20.5
Other Current Assets	0.0	0.24	0.24	0.24	0.24
Total Assets	9,093	9,242	9,456	9,542	9,645
ST Debt	99.8	237	237	237	237
Creditor	93.5	109	102	109	119
Other Current Liab	14.7	25.8	14.5	16.1	18.2
LT Debt	3,206	2,994	3,229	3,301	3,370
Other LT Liabilities	86.1	109	109	109	109
Unit holders' funds	5,469	5,639	5,627	5,623	5,635
Minority Interests	124	128	137	146	157
Total Funds & Liabilities	9,093	9,242	9,456	9,542	9,645
Non-Cash Wkg. Capital	(93.4)	(116)	(98.6)	(106)	(116)
Net Cash/(Debt)	(3,123)	(3,058)	(3,336)	(3,448)	(3,537)
Ratio					
Current Ratio (x)	0.9	0.5	0.4	0.3	0.2
Quick Ratio (x)	0.9	0.5	0.4	0.3	0.2
Aggregate Leverage (%)	37.7	36.4	37.3	37.9	38.6
Z-Score (X)	0.9	0.9	0.8	0.8	0.8

Source: Company, DBS Bank

Gearing to creep up on announced acquisitions

Cash Flow Statement (S\$m)

FY Dec	2016A	2017A	2018F	2019F	2020F
Pre-Tax Income	205	193	185	196	217
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	(3.7)	0.0	(25.4)	(14.0)	(15.7)
Associates & JV Inc/(Loss)	(84.9)	(80.3)	(74.9)	(81.5)	(83.4)
Chg in Wkg.Cap.	(9.5)	(5.0)	(6.3)	6.24	7.67
Other Operating CF	91.1	119	72.5	74.4	75.2
Net Operating CF	198	227	151	181	201
Net Invnt in Properties	(10.8)	(61.5)	(82.7)	(125)	(121)
Other Invnts (net)	0.0	0.0	0.0	0.0	0.0
Invnts in Assoc. & JV	(285)	(21.4)	(175)	0.0	0.0
Div from Assoc. & JVs	64.7	71.8	74.9	81.5	83.4
Other Investing CF	19.9	16.9	0.0	0.0	0.0
Net Investing CF	(212)	5.76	(182)	(43.9)	(38.0)
Distribution Paid	(257)	(257)	(268)	(271)	(274)
Chg in Gross Debt	99.3	103	257	94.0	91.1
New units issued	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(91.4)	(88.3)	0.0	0.0	0.0
Net Financing CF	(249)	(242)	(10.6)	(177)	(183)
Currency Adjustments	0.36	0.0	0.0	0.0	0.0
Chg in Cash	(263)	(9.8)	(42.3)	(40.1)	(20.4)
Operating CFPS (S cts)	8.16	8.89	5.86	6.44	7.04
Free CFPS (S cts)	7.37	6.34	2.54	2.05	2.89

Acquisition of additional 25% interest in Southgate

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	16 Aug 17	1.90	1.95	HOLD
2:	30 Oct 17	1.95	1.95	HOLD
3:	15 Dec 17	2.12	2.30	BUY
4:	25 Jan 18	2.14	2.30	BUY
5:	20 Feb 18	1.93	2.30	BUY
6:	25 Apr 18	1.90	2.30	BUY
7:	07 May 18	1.92	2.30	BUY
8:	31 May 18	1.80	2.30	BUY
9:	26 Jun 18	1.74	2.30	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Mervin SONG, CFA

Derek TAN

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 26 Jul 2018 08:31:06 (SGT)

Dissemination Date: 26 Jul 2018 08:52:18 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in Suntec REIT recommended in this report as of 29 Jun 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.
3. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates have a net long position exceeding 0.5% of the total issued share capital in Suntec REIT recommended in this report as of 29 Jun 2018.

Compensation for investment banking services:

4. DBS Bank Ltd, DBS HK, DBSVS their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from Suntec REIT as of 29 Jun 2018.
5. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for Suntec REIT in the past 12 months, as of 29 Jun 2018.
6. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.


Disclosure of previous investment recommendation produced:

7. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

RESTRICTIONS ON DISTRIBUTION

General	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.
Australia	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"). DBS holds Australian Financial Services Licence no. 475946. DBSVS is exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. DBSVS is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at equityresearch@dbs.com
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.  Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore. This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.

United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Carol Wu
 18th Floor Man Yee Building
 68 Des Voeux Road Central
 Central, Hong Kong
 Tel: 65 6878 8888
 Fax: 65 65353 418
 e-mail: equityresearch@dbs.com
 Participant of the Stock Exchange of Hong Kong

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
 19th Floor, Menara Multi-Purpose,
 Capital Square,
 8 Jalan Munshi Abdullah 50100
 Kuala Lumpur, Malaysia.
 Tel.: 603 2604 3333
 Fax: 603 2604 3921
 e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
 12 Marina Boulevard,
 Marina Bay Financial Centre Tower 3
 Singapore 018982
 Tel: 65 6878 8888
 Fax: 65 65353 418
 e-mail: equityresearch@dbs.com
 Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
 DBS Bank Tower
 Ciputra World 1, 32/F
 Jl. Prof. Dr. Satrio Kav. 3-5
 Jakarta 12940, Indonesia
 Tel: 62 21 3003 4900
 Fax: 6221 3003 4943
 e-mail: research@id.dbsvickers.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
 989 Siam Piwat Tower Building,
 9th, 14th-15th Floor
 Rama 1 Road, Pathumwan,
 Bangkok Thailand 10330
 Tel. 66 2 857 7831
 Fax: 66 2 658 1269
 e-mail: research@th.dbs.com
 Company Regn. No 0105539127012
 Securities and Exchange Commission, Thailand