ESR-REIT

Version 11 | Bloomberg: EREIT SP | Reuters: ESRR.SI

DBS Group Research . Equity

17 Sep 2018

BUY

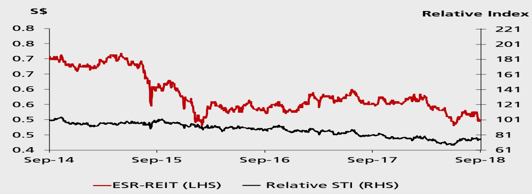
Last Traded Price (14 Sep 2018): S$0.50 (**STI :** 3,161.42)
Price Target 12-mth: S$0.59 (18% upside) (Prev S$0.63)

Analyst
Carmen Tay +65 6682 3719 carmentay@dbs.com
Derek TAN +65 6682 3716 derektan@dbs.com

What's New

- Synergies to be extracted post ESR-Viva merger
- Notwithstanding temporary near-term dilution, both sets of unitholders stand to benefit in the medium term as merits of an enlarged vehicle should prevail over time
- Enlarged platform allows Manager to accelerate planned AEIs and capital recycling to drive shareholder value
- Maintain BUY; TP lowered to S$0.59 after incorporating VIT numbers

Price Relative



Forecasts and Valuation

FY Dec (S$m)	2016A	2017A	2018F	2019F
Gross Revenue	112	110	247	265
Net Property Inc	82.3	78.4	178	193
Total Return	7.09	0.0	118	121
Distribution Inc	54.5	50.9	126	129
EPU (S cts)	4.08	3.65	3.70	3.79
EPU Gth (%)	(6)	(11)	2	2
DPU (S cts)	4.17	3.85	3.96	4.04
DPU Gth (%)	(13)	(8)	3	2
NAV per shr (S cts)	63.4	59.3	49.0	48.5
PE (X)	12.2	13.7	13.5	13.2
Distribution Yield (%)	8.3	7.7	7.9	8.1
P/NAV (x)	0.8	0.8	1.0	1.0
Aggregate Leverage (%)	37.3	39.5	41.3	41.6
ROAE (%)	6.2	6.0	10.1	7.8
Distn. Inc Chng (%):			102	101
Consensus DPU (S cts):			3.90	4.10
Other Broker Recs:		B: 3	S: 0	H: 0

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

Better together

Maintain BUY with lower TP of S$0.59. Post consolidation, ESR-Viva to emerge as the fourth largest industrial REIT with c.S$3bn (+79.8%) in assets. The implied acquisition yield of 5.8-5.9% for VIT's portfolio is at the lower end of peers' range of 5.1-6.8% - possibly reflecting the acquirer's optimism over longer-term prospects and synergies that the REIT can extract.

While temporary near-term dilution from the absence of income support for VIT starting FY19F and issue of new units takes our DCF-based TP slightly lower to S$0.59, we believe the merits of an enlarged vehicle will prevail over time. Maintain BUY.

Where we differ: A premium paid in exchange for longer-term benefits. While paying a 26.4% premium to VIT's NAV appears high, we believe that (1) benefits from the injection of VIT's higher-quality portfolio (including lower financing costs and trust-level saving), and (2) merits of an enlarged vehicle should prevail. To ensure sustainability in earnings and NAVs, data points that we track will hinge on the Manager's ability to drive portfolio earnings to compensate for decline in income support for VIT's UE BizHub.

Potential catalyst: Acceleration of redevelopment and AEI initiatives. Within ESR and VIT's respective asset portfolios lies untapped potential – including at least two assets with unutilised GFA and several others with potential for conversion into higher-spec facilities. One of the immediate benefits arising from the merger would be the enlarged REIT's ability to be more active on this front, driving shareholder value.

Valuation:

Maintain BUY with a lower TP of S$0.59. Estimates are reduced to account for dilutive impact in the immediate term as new units are issued to fund the proposed acquisition. We have also assumed conservative estimates for the incoming VIT portfolio.

Key Risks to Our View:

Lease conversion from single- to multi-tenant. The unfavourable rental reversion resulting from the ongoing conversion of tenancy may bring downside surprises.

At A Glance

Issued Capital (m shrs)	1,584
Mkt. Cap (Sm/USm)	792 / 576
Major Shareholders (%)	
Jinquan Tong	15.2
E-Shang Infinity Cayman Ltd	12.9
Free Float (%)	71.9
3m Avg. Daily Val (US$m)	0.62
ICB Industry : Financials / Real Estate Investment Trust	

WHAT'S NEW

ESR-VIT: Better together?

VIT unitholders are prime beneficiaries in the immediate term. On 15 May 2018, ESR-REIT and VIT jointly announced their proposed merger – a milestone transaction which could transform the enlarged REIT into the fourth largest industrial REIT in Singapore with c.S$3bn (+79.8%) in assets.

The consideration of 96 Scts per unit payable to VIT holders on ex-distribution basis (or equity value of ~S$936.7m) represents a c.26% premium to NAV. On an EV basis, this implies acquisition yield of 5.7-5.9% for VIT's portfolio. This is at the lower end of its peers' range of 5.2-7.1% (refer to Table 1), an attractive level for VIT unitholders.

Key Data (2Q18)	(S$ m)
Book Value	S$743.5m
Equity Value	S$936.7m
(+) Debt	S$536.5m
(-) Cash + Pledged Deposits	S$13.1m
Enterprise Value	S$1460.1m
Gross Assets	S$1316.4m
FY18F NPI*:	S$84.2m – S$85.8m
- Annualised (1H18)	S$83.9m
- DBS Estimates	S$85.8m
Book Yield:	6.4% - 6.5%
- Annualised (1H18)	6.4%
- DBS Estimates	6.5%
Implied Yield on EV*:	5.7% - 5.9%
- Annualised (1H18)	5.7%
- DBS Estimates	5.9%

*excluding income support which expires end-FY18F
Source: VIT, DBS Bank

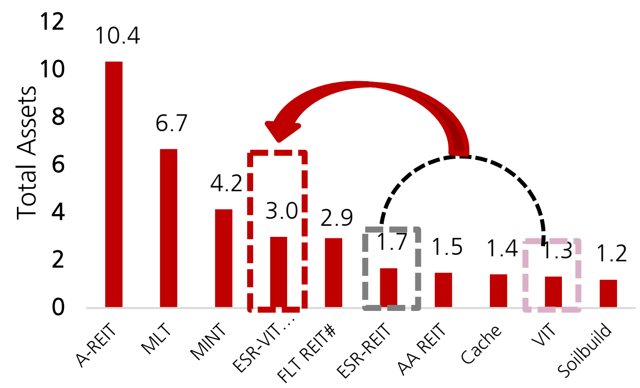
Lower yields a reflection of the higher-quality portfolio and acquirer's optimism over longer-term prospects. We believe the lower book and acquisition yields for VIT vs peers' range is mainly due to the higher-quality portfolio offering more Business Park and high-spec tenant exposures, which consistently command the highest rental rates among industrial properties.

Upon successful completion, exposure to Business Parks/High-spec sectors would be raised from c.29% (including 7000 Ang Mo Kio Avenue 5) to c.46% of the enlarged REIT's portfolio.

Other benefits to the enlarged entity include:

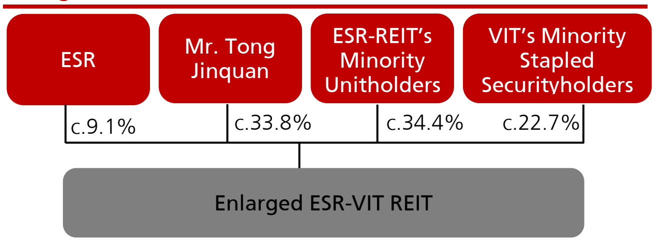
- Larger market capitalisation and free float

The 4th largest industrial S-REIT post-merger?



** after adjusting for FLT's proposed acquisition of 21 properties*
Source: Companies, DBS Bank

Enlarged trust structure



Source: ESR-REIT, DBS Bank

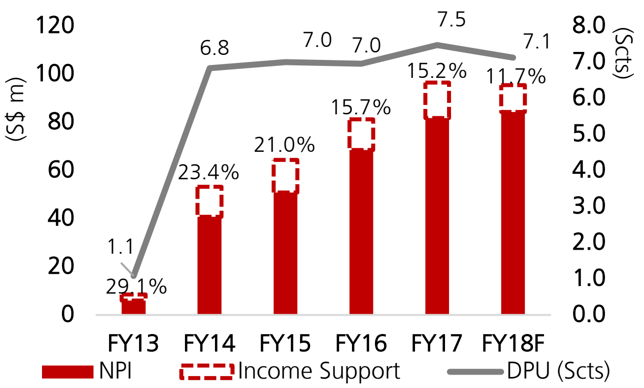
- Economies of scale across management, marketing and leasing functions
- Wider geographical coverage across 56 properties aids portfolio diversification and enhances cross-selling opportunities
- DPU accretion to ESR-REIT unitholders (Refer to Chart 2)
- Higher earnings base provides the enlarged REIT with the stability and flexibility needed to pursue accretive AEI and redevelopment opportunities to drive long-term growth

While we are positive on the deal - the enlarged vehicle should result in improved visibility to a larger investor base and drive a potential positive re-rating, we acknowledge that concerns over several portfolio-specific factors remain and will have to be addressed. We touch on this in a later segment.

Our key concerns:

Rental support for VIT portfolio due to expire in FY18F. While rental support arrangements for Technopark @ Chai Chee (expired on 3 Nov 2015), UE BizHub East and Jackson Square have contributed substantially towards distributable income and DPU historically, we note that the proportions have been on a declining trend over FY13-FY17 and could fall to c.11.7% in FY18F, resulting in a lower DPU of 7.3 Scts for VIT.

Rental support helped offset dilution of units and grow DPU



Source: VIT, DBS Bank

However, with rental support obligations for Jackson Square having ended in May 2017 and that for UE BizHub due to expire by end-FY18F, we predict that VIT's FY19F DPU could fall by 10.5% y-o-y to 6.4 Scts.

VIT's underlying portfolio to boost earnings base by c.90%, but sustainability of the enlarged REIT's DPU remains key. Anchored by in-demand assets with higher potential for positive rental reversions, VIT's underlying portfolio will enable the enlarged REIT to sustain earnings at a higher level.

However, given the premium paid for VIT we believe that sustainability of the enlarged REIT's DPU would be premised on the Manager's ability to address our concerns over:

- Longer-term plans for Jackson Square, which remains one of VIT's weaker assets

- The imminent expiry of income support for VIT's UE BizHub by end-FY18F, as discussed in an earlier segment

- Shorter land leases for selected assets

  While both VIT and ESR-REIT had similar weighted average land lease expiries of c.33.5 years as at 31 March 2018, we note that several of VIT's larger assets have shorter land leases of <20 years, particularly:

Property Details	Land Lease Remaining	Valuation (FY17)	% of Enlarged Portfolio
Viva Business Park	13 years	S$350m	11.9%
Jackson Square	11 years	S$73.2m	2.5%
30 Pioneer Road	19 years	S$55m	1.9%

Source: VIT, DBS Bank

Maintain BUY with a lower TP of S$0.59. After imputing near-term dilution post consolidation (vs pro-forma FY17 DPU of c.4.068 Scts), our DCF-based TP is lowered slightly to S$0.59. At the current price, an attractive 8.1% yield is also on offer.

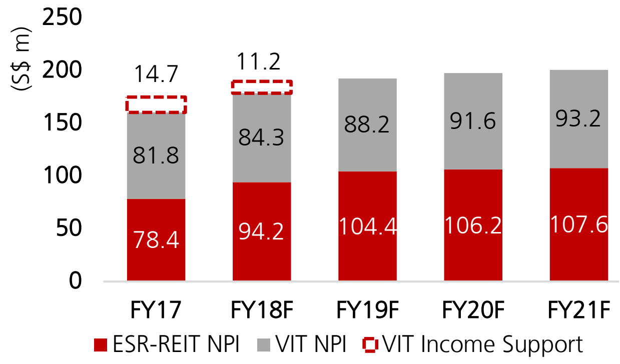
Looking ahead, we believe the merger could enhance the profile of the enlarged REIT significantly, as the enlarged platform provides the Manager with greater flexibility and muscle to accelerate its planned AEIs and unlock shareholder value over the longer term.

Table 1: Implied acquisition yield of 5.7% (LTM) – 5.9% (DBS estimates) falls at the lower end of peers' range of 5.2%-7.1%

Industrial REITs	NPI (LTM, S$ m)	Total Assets (S$ bn)	Total Debt (S$ bn)	Mkt Cap (S$ m) 13 Sep	EV (S$ m)	P/BV (x)	Book Yield (%)	Implied Yield (%)	% of SG Assets	------ Breakdown of Singapore Assets ------ Business Park	Integrated	Hi-specs	Light Industrial	Logistics & Others
Ascendas REIT	629.4	10,354	3,583	7,502	11,059	1.15	6.1%	5.7%	85%	42%	8%	25%	11%	13%
Mapletree Industrial Trust	277.6	4,154	1,220	3,736	4,918	1.34	6.7%	5.6%	90%	15%	0%	31%	2%	52%
Mapletree Logistics Trust	333.8	6,678	2,512	4,035	6,445	1.06	5.0%	5.2%	27%	0%	0%	0%	0%	100%
Cache Logistics Trust	89.4	1,417	543	783	1,308	0.92	6.3%	6.8%	71%	0%	0%	0%	0%	100%
Sabana Shari'ah Compliant REIT	54.6	966	365	426	771	0.74	5.7%	7.1%	100%	0%	0%	42%	13%	45%
AIMS AMP Capital Industrial REIT	89.4	1,478	493	967	1,442	1.03	6.1%	6.2%	85%	22%	0%	9%	18%	52%
Soilbuild Business Space REIT	71.3	1,193	475	630	1,030	0.94	6.0%	6.9%	100%	40%	0%	0%	60%	0%
ESR-REIT	82.5	1,676	500	792	1,282	0.74	4.9%	6.4%	100%	2%	0%	27%	14%	57%
Viva Industrial Trust*	82.5	1,319	531	937	1,455	1.26	6.3%	5.7%	85%	22%	0%	9%	18%	52%
Combined ESR-Viva REIT	**165.0**	**2,995**	**1031**	**1,729**	**2,737**	**0.95**	**5.5%**	**6.0%**	**100%**	**16%**	**0%**	**30%**	**16%**	**38%**
					Average (excluding VIT):	0.99	5.8%	6.2%	82.3%	15.1%	1.0%	16.7%	14.6%	52.4%
					Average (including VIT):	1.02	5.9%	6.2%	84.3%	19.6%	2.3%	14.9%	15.1%	48.1%

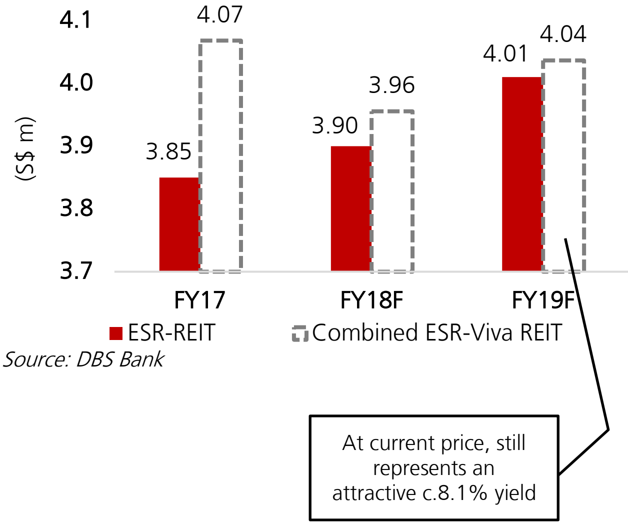
**EV based on consideration of 96 Scts per share*
Source: Thomson Reuters, DBS Bank

Chart 1: Leveraging on both organic and inorganic strategies to drive sustainable growth



Source: DBS Bank

Chart 2: Anticipate a temporary decline in FY18F-19F DPU (vs pro forma FY17) on (i) enlarged share base and (ii) expiry of income support



Source: DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

Acceleration of redevelopment opportunities. The price of ESR-REIT had been trending sideways and down in 2017, given changes in the key management team and the lack of impact from ongoing strategic initiatives.

However, untapped potential lies within its existing portfolio. Apart from its ongoing AEI at 30 Marsiling Industrial Estate Eoad 8, we see at least two other assets with unutilised GFA and several others with potential for conversion into higher-spec facilities, commanding higher occupancy and rents.

While plans to extract value from these sites are already in place, has been lacking on the execution in front – but this could soon change. Post merger, we believe that the enlarged platform would provide the Manager with greater flexibility and muscle to accelerate its planned AEI initiatives, unlocking shareholder value over the longer-term.

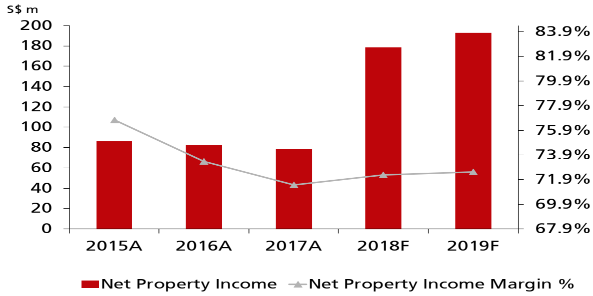
Company-led initiatives to help sustain DPU as oversupply risks dissipate. Post-merger, we anticipate temporary declines to DPU over FY18F-19F on negative near-term effects arising from (i) the enlarged share base, and (ii) from the absence of income support for two of Viva's assets, after partial offsets on the back of positive contributions from recent acquisitions – Tuas South Lane and 7000 Ang Mo Kio in December 2017, and the proposed acquisition of 15 Greenwich Drive which is poised for completion in 4Q18.

Other benefits resulting from the merger include trust-level savings, lower management fees and cheaper debt financing for the enlarged entity, which could kick in from FY19F. As oversupply risks continue to dissipate over the medium term, we believe these company-led initiatives would continue to augment the REIT's resilience ahead of a sustained recovery in underlying rents.

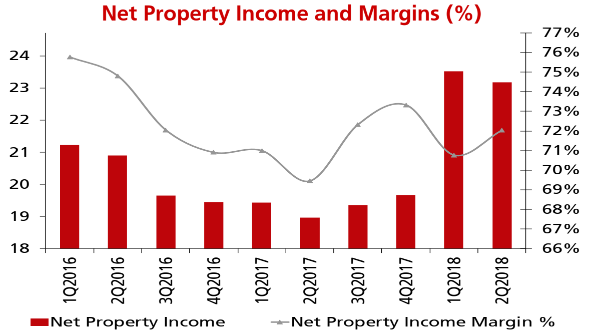
Interest rates not a key risk factor. We have found minimal correlation between the 10-year bond yield and the price of ESR-REIT. Interest-rate risks are likely to be mitigated by the proactive management of the REIT's debt profile.

As such, we believe that ESR-REIT's distributions are well hedged against interest rate movements, with close to 90% of interest rates hedged into fixed rates.

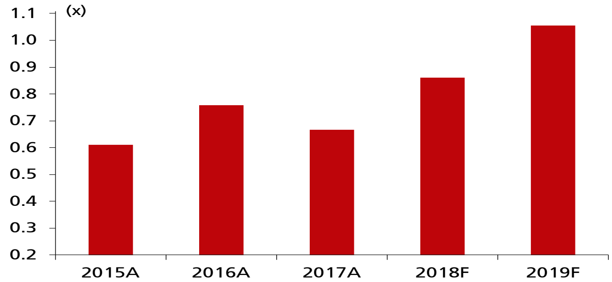
Net Property Income and Margins (%)



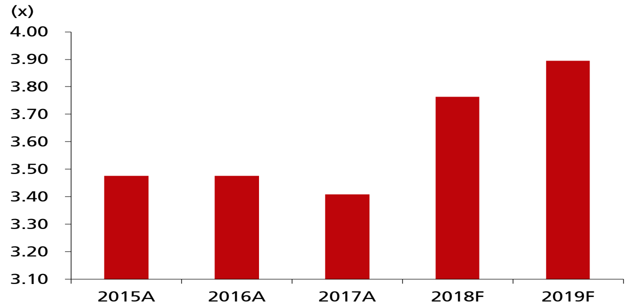
Net Property Income and Margins (%)



Distribution Paid / Net Operating CF



Interest Cover (x)



Source: Company, DBS Bank

Balance Sheet:

Gearing remains stable. With pro-forma gearing for the enlarged REIT estimated at 38.9% (albeit slightly improved vs ESR-REIT's 4Q17 gearing of c.39.6%), there is limited capacity to pursue acquisition opportunities in the medium term. Proceeds from recent divestments could be used for acquisitions, if any.

Pro-active capital management. ESR-REIT has refinanced most of its expiring loans and has no refinancing due till 2H18. In addition, the Manager has fixed c.88% of its interest rates over the next c.3 years, meaning that volatility due to a hike in interest rates should only have a marginal impact on distributions.

Share Price Drivers:

Pick-up in occupancy rate. We believe that expected vacancies and earnings weakness arising from property conversions from single- to multi-tenanted could be an overhang on the stock. The ability to retain tenants will alleviate such risks and may result in higher prices.

Acquisitions could go beyond Singapore. The Manager remains keen to grow the portfolio through acquisitions. Given limited accretive deals in Singapore, ESR-REIT has broadened its investments to Australia, Japan, and Malaysia, which the Manager has identified as having similar sovereign risks and transparency characteristics as Singapore.

Blueprint from new Sponsor. The Trust Manager has been acquired by a new Sponsor, e-Shang Redwood (aka ESR), with an 80% indirect interest. Given the Sponsor's large portfolio and leading position in North Asia, exciting synergies could be created with the REIT. No detailed plans have been communicated to investors so far.

Key Risks:

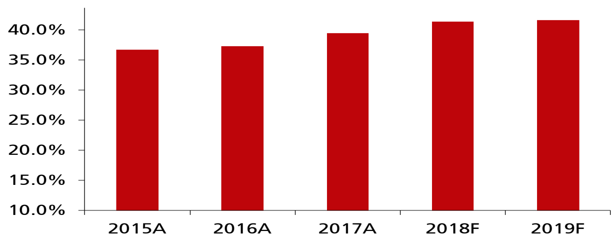
Interest-rate risk. Any increase in interest rates will result in higher interest payments, which will reduce income available for distribution and result in lower distribution per unit (DPU) to unitholders. That said, ESR-REIT has substantially hedged its interest-rate exposure.

Economic risk. A deterioration in Singapore's economic outlook could have a negative impact on industrial rents and occupancies as companies cut back production and require less space. Industrial rents have a strong correlation with GDP growth.

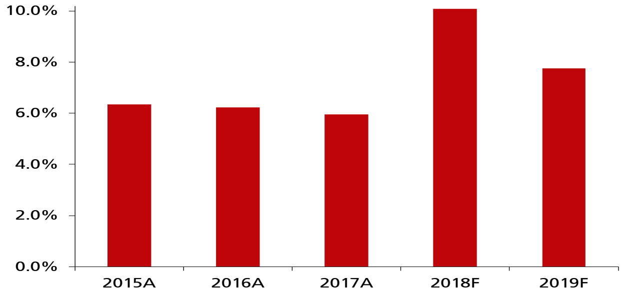
Company Background

ESR-REIT (previously known as Cambridge Industrial REIT) is a real estate investment trust which invests primarily in income-producing industrial assets located in Singapore.

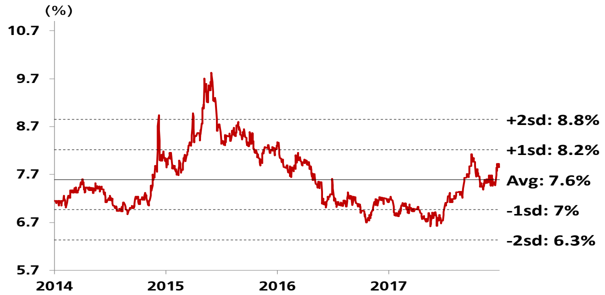
Aggregate Leverage (%)



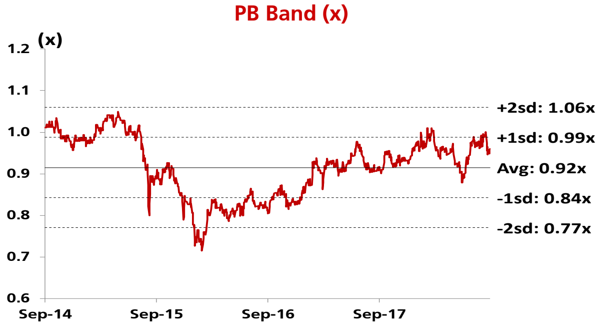
ROE (%)



Distribution Yield (%)



PB Band (x)



Source: Company, DBS Bank

Income Statement (S$m)

FY Dec	2015A	2016A	2017A	2018F	2019F
Gross revenue	112	112	110	247	265
Property expenses	(26.1)	(29.8)	(31.3)	(68.4)	(72.8)
Net Property Income	**86.2**	**82.3**	**78.4**	**178**	**193**
Other Operating expenses	(9.4)	(8.9)	(9.2)	(4.8)	(17.7)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(22.1)	(21.1)	(20.3)	(46.1)	(44.9)
Exceptional Gain/(Loss)	0.40	0.74	0.22	0.0	0.0
Net Income	**55.2**	**53.0**	**49.2**	**128**	**130**
Tax	0.0	0.0	0.0	(0.7)	0.0
Minority Interest	0.0	0.0	(0.8)	(2.0)	(2.0)
Preference Dividend	0.0	0.0	(0.6)	(7.0)	(7.0)
Net Income After Tax	**55.2**	**53.0**	**47.8**	**118**	**121**
Total Return	52.5	7.09	0.0	118	121
Non-tax deductible Items	7.20	47.4	50.9	6.00	6.00
Net Inc available for Dist.	61.8	54.5	50.9	126	129
Growth & Ratio					
Revenue Gth (%)	13.0	(0.1)	(2.1)	125.0	7.5
N Property Inc Gth (%)	10.7	(4.5)	(4.7)	127.5	7.9
Net Inc Gth (%)	5.8	(4.0)	(9.8)	147.0	2.5
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	76.8	73.4	71.5	72.3	72.6
Net Income Margins (%)	49.1	47.3	43.6	47.8	45.6
Dist to revenue (%)	55.1	48.6	46.4	51.0	48.6
Managers & Trustee's fees	8.4	8.0	8.4	1.9	6.7
ROAE (%)	6.3	6.2	6.0	10.1	7.8
ROA (%)	3.9	3.8	3.1	5.0	4.0
ROCE (%)	5.6	5.3	4.7	7.5	5.9
Int. Cover (x)	3.5	3.5	3.4	3.8	3.9

Source: Company, DBS Bank

Quarterly / Interim Income Statement (S$m)

FY Dec	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018
Gross revenue	27.7	27.1	27.2	33.6	32.5
Property expenses	(8.5)	(7.5)	(7.2)	(9.8)	(9.1)
Net Property Income	19.2	19.6	19.9	23.8	23.4
Other Operating expenses	(2.1)	(2.3)	(2.7)	(2.7)	(2.5)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(5.1)	(5.1)	(5.2)	(6.0)	(5.2)
Exceptional Gain/(Loss)	0.0	0.0	0.29	0.13	(1.2)
Net Income	**12.0**	**12.2**	**12.3**	**15.2**	**14.5**
Tax	0.0	0.0	0.0	(0.1)	0.0
Minority Interest	0.0	0.0	0.0	(0.9)	(0.9)
Net Income after Tax	**12.0**	**12.2**	**12.3**	**14.2**	**13.6**
Total Return	11.7	12.1	(35.0)	14.2	13.6
Non-tax deductible Items	0.81	0.48	49.1	0.91	2.16
Net Inc available for Dist.	12.5	12.6	13.3	15.1	15.8
Growth & Ratio					
Revenue Gth (%)	0	(2)	0	24	(3)
N Property Inc Gth (%)	(2)	2	2	19	(1)
Net Inc Gth (%)	(5)	1	1	15	(4)
Net Prop Inc Margin (%)	69.4	72.3	73.3	70.8	72.0
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Balance Sheet (S$m)

FY Dec	2015A	2016A	2017A	2018F	2019F
Investment Properties	1,377	1,332	1,652	3,027	3,030
Other LT Assets	0.0	0.0	0.0	0.0	0.0
Cash & ST Invts	2.66	3.70	11.7	3.66	4.01
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	9.65	9.28	8.37	18.8	20.3
Other Current Assets	41.2	22.0	23.6	0.0	0.0
Total Assets	**1,431**	**1,367**	**1,696**	**3,049**	**3,054**
ST Debt	0.0	0.0	155	0.0	0.0
Creditor	24.0	21.5	28.6	65.0	66.3
Other Current Liab	0.0	0.0	60.6	0.66	0.0
LT Debt	525	510	515	1,261	1,271
Other LT Liabilities	8.74	8.89	6.78	6.78	6.78
Unit holders' funds	873	827	930	1,713	1,705
Minority Interests	0.0	0.0	0.0	2.75	4.79
Total Funds & Liabilities	**1,431**	**1,367**	**1,696**	**3,049**	**3,054**
Non-Cash Wkg. Capital	26.9	9.81	(57.3)	(46.8)	(46.1)
Net Cash/(Debt)	(523)	(506)	(658)	(1,257)	(1,267)
Ratio					
Current Ratio (x)	2.2	1.6	0.2	0.3	0.4
Quick Ratio (x)	0.5	0.6	0.1	0.3	0.4
Aggregate Leverage (%)	36.7	37.3	39.5	41.3	41.6
Z-Score (X)	1.1	1.1	1.2	1.2	1.2

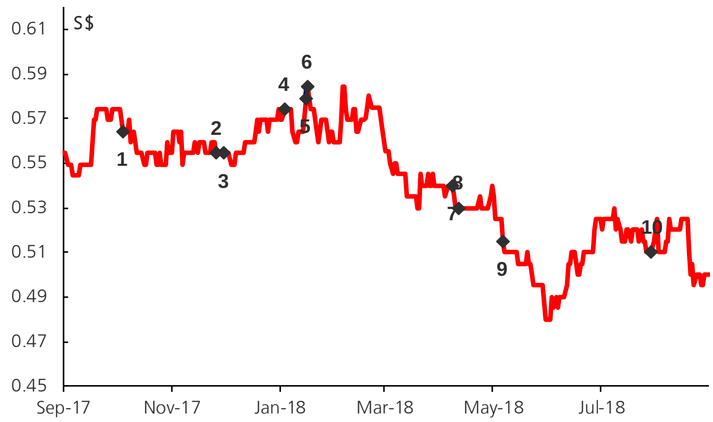
Source: Company, DBS Bank

Cash Flow Statement (S$m)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Income	55.2	53.0	49.2	121	123
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	(0.1)	(0.1)	0.0	0.0	(0.7)
Associates &JV Inc/(Loss)	(0.1)	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(0.5)	(3.6)	(0.3)	25.8	0.0
Other Operating CF	24.6	20.4	20.1	0.0	0.0
Net Operating CF	**79.1**	**69.7**	**69.0**	**146**	**122**
Net Invt in Properties	(40.6)	21.2	(63.3)	(1,591)	(3.0)
Other Invts (net)	(10.6)	0.0	(240)	(13.0)	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	1.08	0.05	0.0	0.0	0.0
Net Investing CF	**(50.1)**	**21.3**	**(304)**	**(1,604)**	**(3.0)**
Distribution Paid	(48.4)	(52.9)	(46.0)	(126)	(129)
Chg in Gross Debt	16.1	(36.9)	140	591	10.0
New units issued	(0.3)	(0.1)	(0.1)	142	0.0
Other Financing CF	0.0	0.0	149	843	0.0
Net Financing CF	**(32.6)**	**(90.0)**	**243**	**1,450**	**(119)**
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(3.6)	1.04	7.95	(8.0)	0.35
Operating CFPS (S cts)	6.25	5.65	5.29	3.79	3.83
Free CFPS (S cts)	3.02	7.01	0.43	(45.4)	3.73

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	19 Oct 17	0.56	0.60	HOLD
2:	11 Dec 17	0.55	0.63	BUY
3:	15 Dec 17	0.55	0.63	BUY
4:	18 Jan 18	0.57	0.64	BUY
5:	30 Jan 18	0.58	0.64	BUY
6:	31 Jan 18	0.58	0.64	BUY
7:	23 Apr 18	0.54	0.63	BUY
8:	26 Apr 18	0.53	0.63	BUY
9:	21 May 18	0.52	0.63	BUY
10:	13 Aug 18	0.51	0.63	BUY

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

Source: DBS Bank

Analyst: Carmen Tay
Derek TAN

DBS Bank recommendations are based an 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: 17 Sep 2018 08:17:36 (SGT)
Dissemination Date: 17 Sep 2018 09:21:17 (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 associate[1] 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 interests[2] 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 proprietary positions in Ascendas REIT, Mapletree Industrial Trust, Mapletree Logistics Trust, Cache Logistics Trust, Soilbuild Business Space Reit, recommended in this report as of 31 Aug 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 Ascendas REIT, Mapletree Industrial Trust, Mapletree Logistics Trust, Cache Logistics Trust, Soilbuild Business Space Reit, recommended in this report as of 31 Aug 2018.
4. DBS Bank Ltd, DBS HK, DBSVS, DBSVUSA, their subsidiaries and/or other affiliates beneficially own a total of 1% of any class of common equity securities of Cache Logistics Trust, Soilbuild Business Space Reit, as of 31 Aug 2018.

Compensation for investment banking services:

5. 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 Ascendas REIT, Mapletree Industrial Trust, Mapletree Logistics Trust, Cache Logistics Trust, Soilbuild Business Space Reit, ESR REIT, as of 31 Aug 2018.
6. 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 Ascendas REIT, Mapletree Industrial Trust, Mapletree Logistics Trust, Cache Logistics Trust, ESR REIT, in the past 12 months, as of 31 Aug 2018.
7. 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:

8. 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