# Manulife US Real Estate Inv

**Version 16 | Bloomberg: MUST SP | Reuters: MANU.SI**



DBS Group Research . Equity

6 Feb 2020

## BUY

**Last Traded Price ( 5 Feb 2020):** US$1.04 (**STI :** 3,200.13)
**Price Target 12-mth:** US$1.15 (11% upside) (Prev US$1.10)

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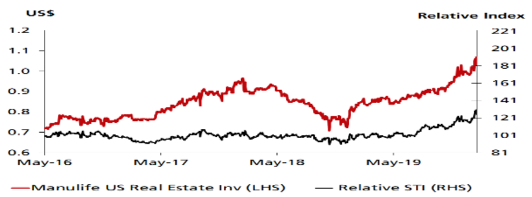
### What's New

- FY19 headline DPU rose 7% y-o-y to 5.96 UScts, in line. Adjusting for private placement/preferential offering, DPU fell 1.3% y-o-y
- 4Q19 headline DPU decreased 5.9% y-o-y to 1.44 UScts. Adjusted 4Q19 DPU fell 4.6% y-o-y to 1.46 UScts
- Operationally stable; occupancy stable except Michelson; rental reversion was +0.5% (+12.1% ex-Michelson); <10% of leases expiring in FY2020/FY2021
- Maintain BUY; raised TP to US$1.15

**Price Relative**




**Forecasts and Valuation**

| FY Dec (US$m) | 2018A | 2019A | 2020F | 2021F |
|---|---|---|---|---|
| Gross Revenue | 145 | 178 | 203 | 233 |
| Net Property Inc | 90.7 | 111 | 130 | 151 |
| Total Return | 64.5 | 47.6 | 87.6 | 101 |
| Distribution Inc | 71.0 | 83.3 | 100.0 | 116 |
| EPU (US cts.) | 5.06 | 3.03 | 5.53 | 6.05 |
| EPU Gth (%) | (10) | (40) | 82 | 9 |
| DPU (US cts.) | 5.57 | 5.96 | 6.31 | 6.96 |
| DPU Gth (%) | (5) | 7 | 6 | 10 |
| NAV per shr (US cts.) | 83.4 | 80.2 | 79.4 | 83.1 |
| PE (X) | 20.6 | 34.3 | 18.8 | 17.2 |
| Distribution Yield (%) | 5.4 | 5.7 | 6.1 | 6.7 |
| P/NAV (x) | 1.2 | 1.3 | 1.3 | 1.3 |
| Aggregate Leverage (%) | 37.2 | 37.7 | 38.0 | 39.5 |
| ROAE (%) | 6.7 | 4.1 | 7.0 | 7.6 |
| | | | | |
| Distn. Inc Chng (%): | | | (1) | 13 |
| Consensus DPU (US cts.): | | | 6.20 | 6.50 |
| Other Broker Recs: | | B: 6 | S: 1 | H: 0 |

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

## Level up!

**Poised to move higher.** We maintain our BUY call on Manulife US Real Estate Investment Trust (MUST) and raised our TP to US$1.15 from US$1.10. Trading at a more conducive cost of capital, we believe that the manager will continue to execute on more acquisitions in 2020, driving an 8% CAGR in DPU growth over 2021-2022F. Maintain BUY!

**Where we differ: A better playing field post index inclusion.** MUST is now on a better playing field post index inclusion in the FTSE EPRA Nareit Developed Asia Index where it will likely herald a virtuous cycle of greater investor visibility and we have already seen higher trading liquidity and yield compression of the stock. Given a strong execution and acquisition track record, we believe MUST is en-route to deliver stronger growth in both AUM and DPU. As such, we price in a US$250m acquisition in FY2021F which is 50%/50% funded by equity/debt.

**FY2019 results in line with expectations; operationally stable except Michelson.** FY19 headline DPU grew 7% y-o-y to 5.96 UScts which is in line with expectations. Adjusted FY19 DPU fell 1.3% y-o-y. Revenue and NPI growth has been largely contributed by acquisitions made in FY18 / FY19. Overall portfolio occupancy has remained relatively stable at 95.8% (96.4% including leases signed in January 2020) vs 96.7% in 4Q18. Portfolio rental reversions was up 0.5% in FY19 (+12% excluding Michelson). Management continues to expect positive rental reversions for most of its properties especially in Atlanta, except Michelson.

### Valuation:

We raised our DCF-backed TP to US$1.15 from US$1.10 previously, pricing in a US$250m acquisition in FY2021F.

### Key Risks to Our View:

The key risk to our view is lower occupancy and/or slower-than-expected recovery of office rentals in the US, as well as impact from changes in tax laws resulting in higher taxes paid.

**At A Glance**

| | |
|---|---|
| Issued Capital (m shrs) | 1,569 |
| Mkt. Cap (US$m) | 1,631 |
| Major Shareholders (%) | |
| Prudential Plc | 5.9 |
| Manulife Financial Corp | 5.4 |
| Free Float (%) | 88.7 |
| 3m Avg. Daily Val (US$m) | 5.9 |

**GIC Industry** : Real Estate / Equity Real Estate Investment (REITs)

## WHAT'S NEW

**Level up!**

### FY19 DPU of 5.96 UScts in line with expectations.

- MUST's headline 4Q19 DPU fell 5.9% y-o-y to 1.44 UScts. After adjusting for the impact of the private placement/preferential offering in both 4Q19 and 4Q18, 4Q19 DPU fell 4.6% y-o-y to 1.46 UScts.
- For FY19, headline DPU grew 7% y-o-y to 5.96 UScts, in line with expectations. Adjusted FY19 DPU fell 1.3% y-o-y.
- 4Q19 gross revenue and net property income rose 20.4% and 18.9% y-o-y to US$48.8m and US$30.3m respectively. Similarly, FY19 gross revenue and net property income grew 23% and 22.2% y-o-y to US$177.9m and US$110.8m respectively. The growth was led by acquisitions of Centerpointe and Capitol in FY19 and full-year contributions from Penn and Phipps (acquired in mid-2018).
- Excluding the impact of acquisitions, 4Q19 NPI fell 1.6% y-o-y while FY19 NPI fell 1.1% y-o-y largely due to Michelson (4Q19 NPI -15.7% y-o-y; FY19 NPI -6.4% y-o-y) and Exchange (4Q19 NPI -5.5% y-o-y; FY19 NPI -0.5% y-o-y).
- Finance expenses rose 23.8% y-o-y in 4Q19 due to higher debt to part fund the acquisitions while the Figueroa mortgage loan was refinanced at a higher rate coupled with additional borrowings to fund the acquisitions of Centerpointe and Capitol, capex and leasing costs.
- The manager also reported a fair value loss on investment properties of US$13.5m in FY19 due to capex expenditures and leasing cost increasing more than the change in fair values.
- MUST has been included in the FTSE EPRA Nareit Global Developed Asia Index effective 23 December 2019.

### Gearing inched back up to 37.7% while cost of debt fell marginally q-o-q to 3.37% post acquisition of Capitol.

- Gearing has inched up to 37.7% from 36.3% as of end-September 2019 post acquisition of Capitol, as expected.
- Weighted average cost of debt fell marginally q-o-q to 3.37% vs 3.43% in 3Q19 post acquisition of Capitol, as expected.
- There are US$72m (c.9% of total borrowings) property-level mortgages expiring in FY2020, relating to Peachtree at 2.5% interest cost. As rates have remained low, management expects to refinance these loans at below 3% interest cost.

### Operationally stable except Michelson which saw occupancy fall to 90%

- Overall portfolio occupancy was relatively stable at 95.8% vs 97.3% in 3Q19 and 96.7% in 4Q18. Including leases signed in January 2020 (c.70,000 sqft mainly in Plaza and Peachtree), portfolio occupancy inches up to 96.4%.
- Occupancy at Michelson fell to 90.1% vs 96% in 3Q19 and 4Q19 while the rest remain relatively stable. Peachtree's occupancy fell to 95% in 4Q19 vs 99.4% in 3Q19 but including the leases signed in January 2020, Peachtree's occupancy will be 99%.
- In FY19, MUST renewed c.445,000 sqft of leases (9.5% of portfolio NLA) with long WALE of 7.9 years. Overall rental reversions rose 0.5%. Excluding the marked-to-market lease in Michelson, rental reversions increased 12.1%, possibly from Plaza and Peachtree where rents are still below average market rents.
- The leases expiring in FY2020/FY2021 are less than 10% of gross rental income (GRI). Post the forward renewals in January 2020, only leases contributing 5.2% and 7.2% of GRI will be expiring in FY2020F and FY2021F respectively. There are no major leases expiring in FY2020.

### Rising ESG – GRESB Score to 93 in FY2019

- Given the increasing interests in ESG investments, MUST' highlighted that its ESG – GRESB Score was 93 in FY2019, increasing from 76 in FY2017, and ranks third out of 12 listed US office REITs and 22nd out of 212 offices globally.
- MUST commits to improving its ESG score and aims to achieve some "green" certification for buildings that have yet to receive any certification. The Penn building is currently undergoing LEED certification.

### Outlook

- Management continues to expect positive rental reversions for most of its properties especially the Atlanta market where rental reversions could remain at high single-digit or low double-digit levels.
- For the Michelson building, there are no large leases expiring in the medium term. As such, do not expect the decline in occupancy to continue. However, the re-base of marked-to-market rents may see continued negative rental reversions as the building is 5-10% over the

market transaction levels. While the manager is confident that Michelson can continue to maintain this premium, rental reversionary prospects are likely to be more modest. In addition, the manager expects to be able to backfill the vacancy soon.

- Management continues to look for acquisition opportunities. Being mindful that this year is an election year, management believes in its diversification strategy rather than focusing on a specific sector.

## Maintain BUY; raised TP to US$1.15

- We maintain our BUY call on MUST and raised our TP to US$1.15 from US$1.10 previously, factoring in a US$250m acquisition in FY2021F.
- MUST is now on a better playing field post index inclusion in the FTSE EPRA Nareit Developed Asia Index where it will likely herald a virtuous cycle of greater investor visibility. To this end, we have already seen higher trading liquidity and yield compression of the stock. We believe that investors will look towards a consistent delivery of DPU growth both organically and inorganically. Being the largest and the first US office S-REIT, we believe it will remain attractive.

**Quarterly / Interim Income Statement (US$m)**

| FY Dec | 4Q2018 | 3Q2019 | 4Q2019 | % chg yoy | % chg qoq |
|---|---|---|---|---|---|
| Gross revenue | 40.5 | 45.7 | 48.8 | 20.4 | 6.7 |
| Property expenses | (15.0) | (17.6) | (18.5) | 23.1 | 4.9 |
| Net Property Income | 25.5 | 28.1 | 30.3 | 18.9 | 7.8 |
| Other Operating expenses | (2.4) | (2.8) | (4.1) | 71.4 | 45.1 |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | 1.56 | nm | nm |
| Associates & JV Inc | 0.0 | 0.0 | 0.0 | - | - |
| Net Interest (Exp)/Inc | (5.8) | (6.7) | (7.1) | (23.0) | (6.2) |
| Exceptional Gain/(Loss) | 0.0 | 0.0 | 0.0 | - | - |
| **Net Income** | **17.3** | **18.6** | **20.6** | **19.3** | **11.0** |
| Tax | (4.8) | (2.9) | (5.0) | 5.4 | 72.0 |
| Minority Interest | 0.0 | 0.0 | 0.0 | - | - |
| **Net Income after Tax** | **12.5** | **15.7** | **15.6** | **24.5** | **(0.3)** |
| Total Return | 20.5 | 13.0 | 17.9 | (12.8) | 37.4 |
| Non-tax deductible Items | (0.9) | 7.73 | 4.73 | nm | (38.8) |
| Net Inc available for Dist. | 19.6 | 20.8 | 22.6 | 15.5 | 9.0 |
| **Ratio (%)** | | | | | |
| Net Prop Inc Margin | 62.9 | 61.5 | 62.1 | | |
| Dist. Payout Ratio | 100.0 | 100.0 | 100.0 | | |

*Source of all data: Company, DBS Bank*

## CRITICAL DATA POINTS TO WATCH

### Critical Factors

Upturn in US real estate. Based on CoStar data, MUST's properties are generally located in the US office markets where there is limited new supply. For markets with new supply, we understand the majority of the new supply is already pre-committed or due to the high development costs, and requires significantly higher asking rents than MUST's buildings. In addition, we understand these office markets also have favourable demand dynamics in the form of rising demand on the back of increasing business activities and low unemployment rates. In addition, MUST's properties are generally located in markets where there is a deep pool of skilled and young workers, which is an attractive feature for prospective tenants. Furthermore, the buildings are situated near amenities, which add to the competitive position of MUST's portfolio. Given the supportive market dynamics, market rents in MUST's key markets are generally on an upturn. Therefore, we believe MUST offers a cyclical recovery story, with rising income and potential for some uplift in capital values.

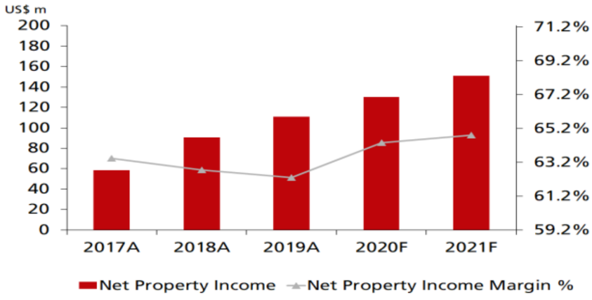
Organic growth. MUST's properties are well positioned to experience strong organic growth delivered through inbuilt rental escalations embedded into their lease contracts. MUST's portfolio have an average inbuilt annual rental escalations of around 2% while most of its buildings are still under-rented or close to market rents except Michelson and Centerpointe.

WALE offers strong income. With leases typically signed on a 3- to 10-year lease and some in excess of 10 years, MUST's portfolio enjoys a long WALE of c.5.9 years (by NLA). Some 5.2% and 7.2% of its leases (by gross rental income) are expiring in 2020 and 2019 respectively. We expect these leases to revert positively when they are due for renewal as the majority of MUST's buildings are currently below market rents, except the Michelson building.

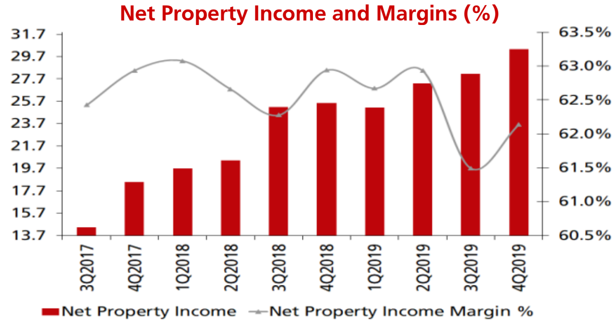
Boost from recent acquisitions. In FY19, MUST's DPU was supported by full-year contribution from Penn and Phipps which was acquired in mid-2018 and new acquisitions of Centerpointe and Capitol in FY2019. Beyond providing additional geographical diversification, these acquisitions and another US$250m of acquisitions (assumed) should assist MUST in delivering c.8% DPU CAGR over FY20F-21F, making it one of the fastest-growing REITs listed in Singapore over the next three years.

Growth through acquisitions. A key growth driver is MUST's ability to leverage on its sponsor's deep knowledge of the US office market and execution capability.

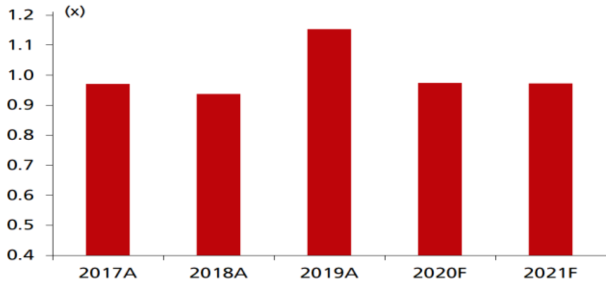
**Net Property Income and Margins (%)**



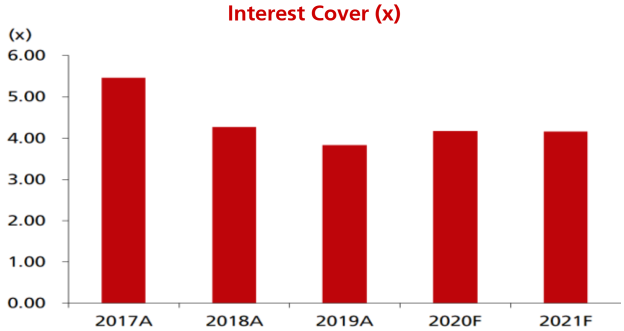

**Net Property Income and Margins (%)**




**Distribution Paid / Net Operating CF**




**Interest Cover (x)**




*Source: Company, DBS Bank*

**Balance Sheet:**

**Gearing stabilising at around 37-38%.** Post recent acquisitions and equity-raising, MUST's gearing (total debt/total assets) has stabilised at around 37-38%. This provides additional debt headroom for MUST when it explores acquisition opportunities.

**Share Price Drivers:**

**Indexation a catalyst for a further re-rating.** MUST has been included in the FTSE EPRA Nareit Global Developed Asia Index, effective 23 December 2019. The manager believes that in the longer term, this inclusion will bring about more liquidity, international visibility and potentially a further rally in share price.

**Key Risks:**

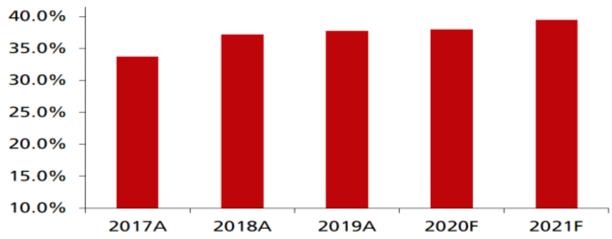
**Non-renewal of leases.** MUST's financials, operations and capital growth may be adversely affected by bankruptcy, insolvency or downturn in the businesses of its tenants, which may lead to non-renewal of their leases.

**Regulatory changes.** MUST's tax efficiency relies in part on its parent US REIT and sub-US REITs being able to maintain their status as US REITs, as well as qualifying for US portfolio interest exemption when repatriating cash back to Singapore as interest. Distributions paid to MUST's unitholders may be adversely impacted should there be any changes in tax or REIT regulations, in either the US, Singapore or Barbados. In particular, we are awaiting clarification on the efficacy of repatriating cash back to Singapore via Barbados entities.

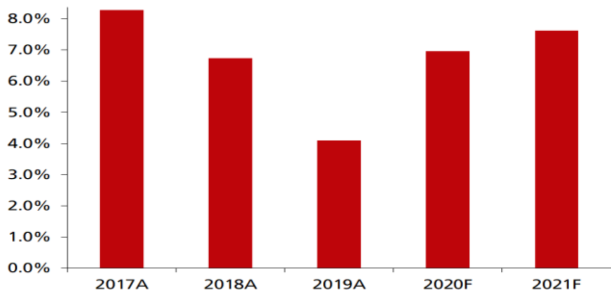
**Company Background**

Manulife US REIT (MUST) is the first pure-play US office REIT listed in Asia. Its portfolio consists of eight freehold, Class A or Trophy-quality office properties in Atlanta, Los Angeles, New Jersey, Washington DC, Virginia and Orange County.

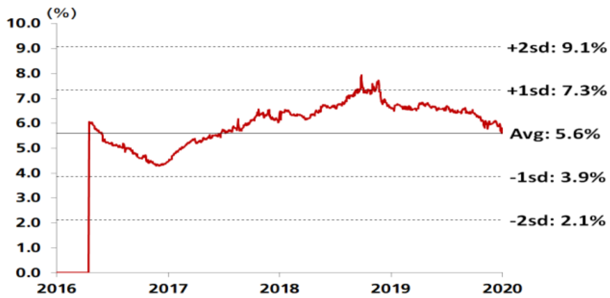
**Aggregate Leverage (%)**



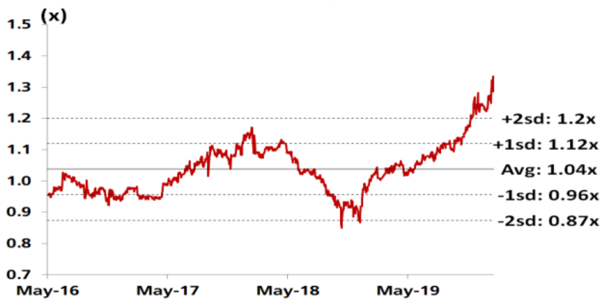

**ROE (%)**




**Distribution Yield (%)**




**PB Band (x)**




*Source: Company, DBS Bank*

**Income Statement (US$m)**

| FY Dec | 2017A | 2018A | 2019A | 2020F | 2021F |
|---|---|---|---|---|---|
| Gross revenue | 92.0 | 145 | 178 | 203 | 233 |
| Property expenses | (33.7) | (53.9) | (67.1) | (72.2) | (82.0) |
| Net Property Income | 58.4 | 90.7 | 111 | 130 | 151 |
| Other Operating expenses | (6.5) | (9.3) | (12.4) | (14.0) | (17.0) |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Associates & JV Inc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Interest (Exp)/Inc | (9.5) | (19.0) | (25.7) | (27.9) | (32.2) |
| Exceptional Gain/(Loss) | 31.4 | 16.9 | (14.6) | 0.0 | 0.0 |
| Net Income | 73.8 | 79.2 | 58.0 | 88.5 | 102 |
| Tax | (15.8) | (14.7) | (10.5) | (0.9) | (1.0) |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Preference Dividend | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Income After Tax | 58.0 | 64.5 | 47.6 | 87.6 | 101 |
| Total Return | 58.0 | 64.5 | 47.6 | 87.6 | 101 |
| Non-tax deductible Items | (11.2) | 6.46 | 35.8 | 12.4 | 15.1 |
| Net Inc available for Dist. | 46.7 | 71.0 | 83.3 | 100.0 | 116 |
| **Growth & Ratio** | | | | | |
| Revenue Gth (%) | 93.7 | 57.1 | 23.0 | 13.9 | 14.9 |
| N Property Inc Gth (%) | 94.7 | 55.4 | 22.2 | 17.7 | 15.7 |
| Net Inc Gth (%) | 12.2 | 11.3 | (26.3) | 84.1 | 15.0 |
| Dist. Payout Ratio (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net Prop Inc Margins (%) | 63.4 | 62.7 | 62.3 | 64.3 | 64.8 |
| Net Income Margins (%) | 63.0 | 44.6 | 26.7 | 43.2 | 43.2 |
| Dist to revenue (%) | 50.8 | 49.1 | 46.9 | 49.3 | 49.7 |
| Managers & Trustee's fees | 7.0 | 6.5 | 7.0 | 6.9 | 7.3 |
| ROAE (%) | 8.3 | 6.7 | 4.1 | 7.0 | 7.6 |
| ROA (%) | 5.2 | 4.1 | 2.4 | 4.0 | 4.3 |
| ROCE (%) | 4.0 | 4.5 | 4.4 | 5.7 | 6.2 |
| Int. Cover (x) | 5.5 | 4.3 | 3.8 | 4.2 | 4.2 |

*Source: Company, DBS Bank*

Acquisitions assumed in our forecasts in FY2021F

**Quarterly / Interim Income Statement (US$m)**

| FY Dec | 4Q2018 | 1Q2019 | 2Q2019 | 3Q2019 | 4Q2019 |
|---|---|---|---|---|---|
| Gross revenue | 40.5 | 40.0 | 43.3 | 45.7 | 48.8 |
| Property expenses | (15.0) | (14.9) | (16.1) | (17.6) | (18.5) |
| Net Property Income | 25.5 | 25.1 | 27.3 | 28.1 | 30.3 |
| Other Operating expenses | (2.4) | (2.6) | (2.9) | (2.8) | (4.1) |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | (0.9) | 0.0 | 1.56 |
| Associates & JV Inc | 0 | 0 | 0 | 0 | 0 |
| Net Interest (Exp)/Inc | (5.8) | (5.8) | (6.1) | (6.7) | (7.1) |
| Exceptional Gain/(Loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net Income** | **17.3** | **16.8** | **17.3** | **18.6** | **20.6** |
| Tax | (4.8) | (2.6) | 0.07 | (2.9) | (5.0) |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net Income after Tax** | **12.5** | **14.1** | **17.4** | **15.7** | **15.6** |
| Total Return | 20.5 | 13.7 | 2.92 | 13.0 | 17.9 |
| Non-tax deductible Items | (0.9) | 5.62 | 17.7 | 7.73 | 4.73 |
| Net Inc available for Dist. | 19.6 | 19.3 | 20.6 | 20.8 | 22.6 |
| **Growth & Ratio** | | | | | |
| Revenue Gth (%) | 0 | (1) | 8 | 6 | 7 |
| N Property Inc Gth (%) | 1 | (2) | 9 | 3 | 8 |
| Net Inc Gth (%) | (13) | 13 | 23 | (10) | 0 |
| Net Prop Inc Margin (%) | 62.9 | 62.7 | 62.9 | 61.5 | 62.1 |
| Dist. Payout Ratio (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

**Balance Sheet (US$m)**

| FY Dec | 2017A | 2018A | 2019A | 2020F | 2021F |
|---|---|---|---|---|---|
| Investment Properties | 1,313 | 1,739 | 2,095 | 2,109 | 2,376 |
| Other LT Assets | 0.0 | 0.0 | 0.49 | 0.49 | 0.49 |
| Cash & ST Invts | 49.7 | 54.1 | 60.7 | 61.4 | 62.3 |
| Inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debtors | 5.91 | 9.07 | 7.61 | 8.67 | 9.97 |
| Other Current Assets | 0.82 | 1.00 | 2.61 | 2.61 | 2.61 |
| **Total Assets** | **1,369** | **1,803** | **2,166** | **2,182** | **2,451** |
| ST Debt | 0.0 | 110 | 78.9 | 78.9 | 78.9 |
| Creditor | 18.2 | 16.8 | 26.9 | 30.6 | 35.2 |
| Other Current Liab | 0.99 | 2.15 | 5.10 | 5.10 | 5.10 |
| LT Debt | 458 | 557 | 733 | 745 | 884 |
| Other LT Liabilities | 39.5 | 52.6 | 64.3 | 64.3 | 64.3 |
| Unit holders' funds | 852 | 1,064 | 1,258 | 1,258 | 1,383 |
| Minority Interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Funds & Liabilities** | **1,369** | **1,803** | **2,166** | **2,182** | **2,451** |
| Non-Cash Wkg. Capital | (12.5) | (8.9) | (21.7) | (24.4) | (27.7) |
| Net Cash/(Debt) | (409) | (613) | (751) | (762) | (901) |
| **Ratio** | | | | | |
| Current Ratio (x) | 2.9 | 0.5 | 0.6 | 0.6 | 0.6 |
| Quick Ratio (x) | 2.9 | 0.5 | 0.6 | 0.6 | 0.6 |
| Aggregate Leverage (%) | 33.7 | 37.2 | 37.7 | 38.0 | 39.5 |
| Z-Score (X) | 1.2 | 1.3 | 1.2 | 1.3 | 1.3 |

Higher gearing due to acquisition assumption

*Source: Company, DBS Bank*

**Cash Flow Statement (US$m)**

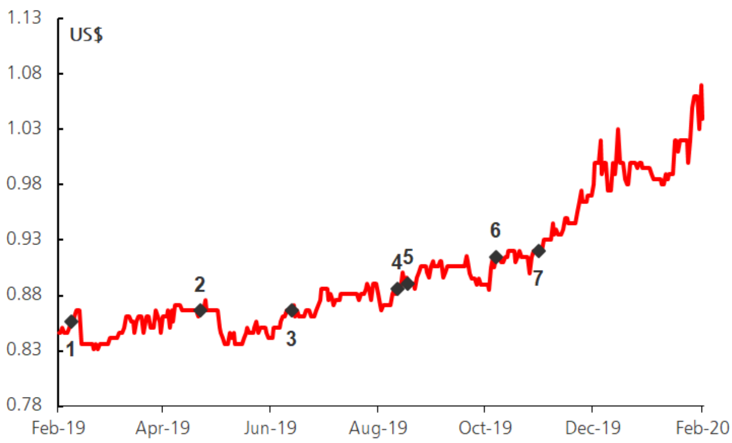
| FY Dec | 2017A | 2018A | 2019A | 2020F | 2021F |
|---|---|---|---|---|---|
| Pre-Tax Income | 42.4 | 62.3 | 72.6 | 88.5 | 102 |
| Dep. & Amort. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tax Paid | (1.0) | (0.3) | (1.2) | (0.9) | (1.0) |
| Associates &JV Inc/(Loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Chg in Wkg.Cap. | 4.26 | 8.89 | (35.9) | 2.68 | 3.28 |
| Other Operating CF | (1.9) | (8.3) | 50.6 | 12.4 | 15.1 |
| **Net Operating CF** | **43.8** | **62.6** | **86.2** | **103** | **119** |
| Net Invt in Properties | (434) | (399) | (356) | (2.0) | (252) |
| Other Invts (net) | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 0.01 | 0.21 | 0.47 | (11.5) | (14.9) |
| **Net Investing CF** | **(434)** | **(399)** | **(356)** | **(13.5)** | **(267)** |
| Distribution Paid | (42.5) | (58.7) | (99.4) | (100.0) | (116) |
| Chg in Gross Debt | 164 | 208 | 143 | 11.5 | 140 |
| New units issued | 280 | 193 | 232 | 0.0 | 125 |
| Other Financing CF | 0.16 | (0.7) | 0.0 | 0.0 | 0.0 |
| **Net Financing CF** | **402** | **341** | **276** | **(88.4)** | **149** |
| Currency Adjustments | 0.07 | 0.0 | 0.01 | 0.0 | 0.0 |
| Chg in Cash | 11.2 | 4.42 | 6.66 | 0.65 | 0.95 |
| | | | | | |
| Operating CFPS (US cts.) | 3.82 | 4.21 | 7.78 | 6.31 | 6.96 |
| Free CFPS (US cts.) | (37.8) | (26.4) | (17.2) | 6.35 | (8.0) |

Assume US$250m acquisition

Fund-raising assumed in our estimates

*Source: Company, DBS Bank*

**Target Price & Ratings History**




| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|---|---|---|---|---|
| 1: | 12 Feb 19 | 0.86 | 0.92 | BUY |
| 2: | 26 Apr 19 | 0.87 | 0.92 | BUY |
| 3: | 17 Jun 19 | 0.87 | 1.00 | BUY |
| 4: | 16 Aug 19 | 0.89 | 1.00 | BUY |
| 5: | 22 Aug 19 | 0.89 | 1.10 | BUY |
| 6: | 11 Oct 19 | 0.92 | 1.10 | BUY |
| 7: | 04 Nov 19 | 0.92 | 1.10 | BUY |

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

*Source: DBS Bank*

*Analyst: Rachel TAN*
*Derek TAN*

| |
|---|
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| **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 share price catalysts within this time frame) |

**Share price appreciation + dividends*

Completed Date: 6 Feb 2020 07:37:22 (SGT)
Dissemination Date: 6 Feb 2020 07:53:50 (SGT)

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