

Singapore

ADD (no change)

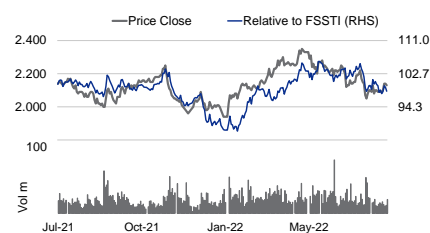
Consensus ratings*: Buy 16 Hold 3 Sell 1

Current price:	S\$2.13
Target price:	S\$2.57
Previous target:	S\$2.57
Up/downside:	20.7%
CGS-CIMB / Consensus:	5.0%
Reuters:	CMLT.SI
Bloomberg:	CICT SP
Market cap:	US\$10,219m
	S\$14,121m
Average daily turnover:	US\$34.96m
	S\$48.47m
Current shares o/s:	6,621m
Free float:	73.8%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.2	-8.6	0.9
Relative (%)	-5.8	-5.2	-1.6

Major shareholders	% held
CapitaLand	26.2
Blackrock	3.4
State Street Corp	3.3

Analyst(s)



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CapitaLand Integrated Commercial

Improving outlook

- 1H22 DPU of 5.22 Scts was deemed in line, at 46.3% of our FY22F forecast.
- Office and retail segments performed better, driven by acquisitions and organic improvement.
- Reiterate Add rating with an unchanged TP of S\$2.57.

1H22 results highlights

CICT reported 1H22 revenue/NPI of S\$687.6m/S\$501.6m, up 6.5%/6.2% yoy, due to contributions from CapitaSky and 3 Australian assets as well as better performance of its existing portfolio, partly offset by divestment of JCube and higher operating expenses. NPI margin dipped slightly from 73.1% in 1H21 to 72.9% in 1H22. Distribution income of S\$347.3m translates to DPU of 5.22 Scts, +0.8% yoy and flat hoh. Overall portfolio occupancy stood at 93.8%. Gearing rose slightly to 40.6% at end-1H with 81% of total debt hedged to fixed rates. Management guided that for every 1% pt change in average funding cost, DPU could be impacted by 0.28 Scts.

Higher retail revenue on better tenant sales and shopper traffic

CICT reported 1H retail revenue/NPI of S\$276m/S\$197m, +3.1%/4.5% yoy. Retail occupancy stood at 96.5% at end-1H. Tenant sales improved 15.9% yoy (+26.4% for downtown malls) while shopper traffic rose 12.5% yoy. CICT also benefited from improved tenant performance with gross turnover rent making up 7% of retail revenue. Meanwhile, retail rental reversion averaged -0.5% in 1H, an improvement over the -1.3% reported in 1Q. That said, excluding Raffles City Singapore, which is undergoing rejuvenation of tenant mix, average rent reversion would have been +1.1% in 1H22. Suburban malls performed well, achieving rental reversion of 1.2% in 1H. The best performing tenant trade sectors in 1H include entertainment, shoes & bags, department store, fashion and sporting goods categories.

New acquisitions and higher occupancy boost office performance


Office revenue grew 11.9% yoy to S\$214.9m in 1H, while NPI increased 10.8% yoy to S\$163m with the acquisition of CapitaSky in Apr 22 and purchase of 66 Goulburn St and 100 Arthur St in Australia in Mar 2022 and 101 Miller in Jun. 21 Collyer Quay also commenced contributions during this period. Occupancy improved to 91.9% in 1H. Rental reversion was +8.5% yoy, with a 91.4% retention rate. CICT renewed 1.1m sqft in 1H (2Q: 290.5k sqft), with demand coming from the financial services, IT, media, telecoms and business consultancy sectors. CapitaSpring's take-up rate improved to 99.5% while Raffles City Singapore office saw take-up rising to 99.4% in 1H. We expect the full impact of contributions from the new properties to be felt from 2Q22F onwards. Looking ahead, we believe CICT remains well-positioned to explore inorganic growth opportunities.

Reiterate Add rating

We keep our FY22-24F DPU estimates unchanged and maintain our DDM-based TP of S\$2.57. We believe CICT is well placed to benefit from a macro recovery given its diversified and stable earnings profile. Potential re-rating catalysts are more clarity on its asset enhancement/redevelopment plans. Downside risks include slower-than-expected portfolio value creation and slower rental recovery outlook.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Property Revenue (S\$m)	745	1,305	1,462	1,502	1,533
Net Property Income (S\$m)	513	951	1,066	1,084	1,109
Net Profit (S\$m)	(82)	1,070	741	768	791
Distributable Profit (S\$m)	375.6	687.4	768.8	784.4	808.3
Core EPS (S\$)	0.05	0.12	0.11	0.11	0.12
Core EPS Growth	(63%)	153%	(9%)	2%	3%
FD Core P/E (x)	34.74	17.34	19.21	18.75	18.19
DPS (S\$)	0.09	0.10	0.11	0.11	0.12
Dividend Yield	4.08%	4.88%	5.18%	5.29%	5.44%
Asset Leverage	38.9%	36.0%	41.4%	41.5%	41.5%
BVPS (S\$)	2.02	2.07	1.97	1.97	1.97
P/BV (x)	1.06	1.03	1.08	1.08	1.08
Recurring ROE	2.99%	6.01%	5.49%	5.76%	5.94%
CGS-CIMB/Consensus DPS (x)			0.98	0.94	0.95

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

		Refinitiv ESG Scores					
ESG in a nutshell		B+	A+	B+	A-	A-	B-
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Governance Pillar Score
<p>CICT scores B+ for its 2021 ESG ranking, according to Refinitiv, with improvement in performance over the past five years. This is separated into Environmental (A-), Social (A-) and Governance (B-) pillars. It achieved A+ for its ESG controversies pillar. In 2021, the trust maintained a 5-star rating in the Global Real Estate Sustainability Benchmark (GRESB) 2021 with a 2-point improvement in its ratings. It has also scored 'A' for public disclosure in the same assessment. In alignment with the Capitaland Group's 2030 Sustainability Master Plan, CICT will continue to build portfolio resilience and resource efficiency, enable thriving and future-adaptive communities and accelerate sustainability innovation and collaboration. In April 2021, CICT's Main Airport Centre in Frankfurt attained Building Research Establishment Environmental Assessment Method (BREEAM) Good rating and met its target of a 100% green-rated portfolio.</p>							
<p>Keep your eye on</p> <p>According to Refinitiv, CICT's Social score dipped slightly from 2020 to A-, on lower workforce score while it maintained its Governance pillar at B-.</p>	<p>Implications</p> <p>We have not applied any premium/discount for ESG in our fundamental valuation of CICT. Any improvement in its current Governance ranking could boost its overall ESG ranking.</p>						
<p>ESG highlights</p> <p>CICT's ESG score of B+ ranked it 8th amongst Singapore companies and 1st relative to its Residential and Commercial REITs peers covered by Refinitiv. CICT scores well in all E categories of resource use (A-), emissions (A-) and environmental innovation (A-). In the S category, it also ranks highly in all categories of product responsibility (A+), human rights (A) and community (B+). In 2021, CICT reported a 50.3%, 32.8% and 40.9% reduction in carbon emission intensity, energy intensity and water intensity, respectively, from the base year of 2008. About 100% of its portfolio achieved green rating. CICT secured S\$350m of sustainability-linked loan facilities and issued S\$155.2m worth of green bonds in 1Q22. In addition, it was included in the newly established Lion-OCBC Securities Singapore Low Carbon ETF on 28 Apr 2022.</p>	<p>Implications</p> <p>While CICT's ESG progress is not priced in at the current stage, we believe it will be a key differentiating factor amongst more discerning investors in time to come. We have not applied any premium/discount for ESG in our fundamental valuation of CICT. CICT targets to achieve a 78%, 35% and 45% reduction in carbon emission intensity, energy intensity and water intensity, respectively, by 2030 from the base year of 2008.</p>						
<p>Trends</p> <p>CICT's Governance score showed a large improvement from D in 2020 to B- in 2021, mainly due to an improvement in management score.</p>	<p>Implications</p> <p>The overall improvements in its ESG scores since 2017 have been positive and consistent. An uplift in its Governance score will be key in improving CICT's score further. We have not applied any premium/discount for ESG in our fundamental valuation of CICT.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 1: Results comparison

FYE Dec (\$Sm)	1H FY22	1H FY21	yoy % chg	2H FY21	hoh % chg	Prev. FY22F	Comments
Revenue	687.6	645.7	6.5%	659.4	4.3%	1461.9	In line. 1HFY22: 47% of our FY22F forecast
Operating costs	-186.0	-173.5	7.2%	-180.5	3.0%	-396.4	
Net property income	501.6	472.2	6.2%	478.9	4.7%	1065.5	
Asset management fees	-42.8	-40.8	4.8%	-41.4	3.3%	-91.5	
Trust expenses	-2.9	-3.9	-25.8%	-2.8	3.2%	-8.7	
Interest expense	-104.4	-105.1	-0.6%	-84.7	23.3%	-219.7	
Interest & invt inc	6.4	4.0	57.9%	2.3	174.2%	5.8	
Associates' contrib	6.4	6.7	-5.4%	133.5	-95.2%	12.5	
Exceptionals & revaln	58.3	0.0	n.m.	270.5	-78.4%	0.0	
Pretax profit	422.7	333.2	26.8%	756.4	-44.1%	763.9	
Tax	-6.5	-7.4	-12%	-11.8	-45.1%	-21.2	
Tax rate (%)	1.5%	2.2%	-31%	0.0	-31%	2.8%	
Minority interests	-2.5	-0.6	351.5%	0.6	-535.1%	-1.3	
Net profit	413.7	325.3	27.2%	745.1	-44.5%	741.4	
Distr profit	347.3	335.9	3.4%	338.8	2.5%	745.8	In line. 1HFY22: 46.6% of our FY22F forecast
Core net profit	355.3	325.3	9.2%	474.6	-25.1%	745.8	
DPU (cts)	5.22	5.18	0.8%	5.22	0.0%	11.04	In line. 1HFY22: 47.3% of our FY22F forecast

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

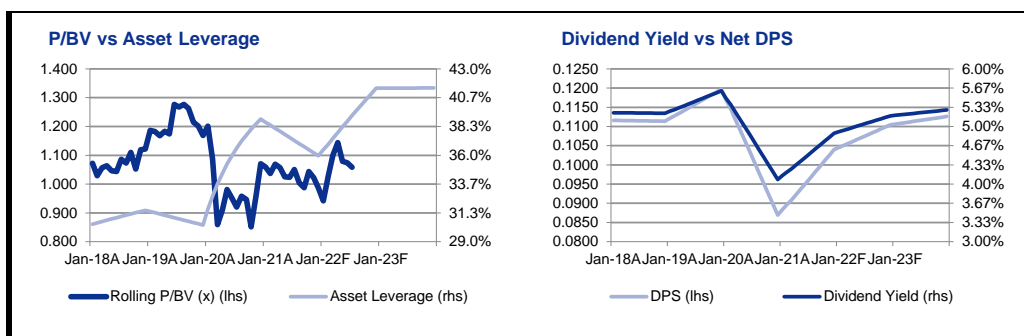
Figure 2: SREIT peer comparison table

SREIT	Bloomberg Ticker	Rec.	Price (LC) as at 28 Jul 22	Target Price (LC) (DDM-based)	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	FY22F Yield	FY23F Yield	FY24F Yield
Hospitality											
Ascott Residence Trust	ART SP	Add	1.17	1.24	\$2,783	37.8%	1.16	1.01	4.3%	5.5%	6.2%
CDL Hospitality Trust	CDREIT SP	Add	1.35	1.38	\$1,206	39.8%	1.29	1.04	3.7%	5.1%	6.1%
Far East Hospitality Trust	FEHT SP	Add	0.65	0.78	\$934	33.4%	0.85	0.77	4.4%	5.6%	6.5%
Frasers Hospitality Trust	FHT SP	NR	0.70	NA	\$967	37.7%	0.65	1.07	5.0%	5.2%	5.3%
Simple Average						37.2%	0.97	4.3%	5.3%	6.0%	
Industrial											
AIMS AMP	AAREIT SP	NR	1.37	NA	\$698	33.6%	1.34	1.02	6.9%	7.2%	7.3%
Ascendas REIT	AREIT SP	Add	2.96	3.20	\$8,999	36.8%	2.31	1.28	5.6%	5.8%	6.0%
ESR-LOGOS REIT	EREIT SP	Add	0.42	0.51	\$2,028	40.6%	0.37	1.15	7.1%	7.2%	7.2%
Frasers Logistics & Commercial Trust	FLT SP	Add	1.42	1.56	\$3,793	29.5%	1.32	1.08	5.7%	5.6%	5.7%
Keppel DC REIT	KDCREIT SP	Add	2.04	2.63	\$2,536	36.1%	1.33	1.53	5.0%	5.3%	5.5%
Mapletree Industrial Trust	MINT SP	Add	2.71	2.97	\$5,272	38.4%	1.88	1.44	4.8%	5.1%	5.3%
Mapletree Logistics Trust	MLT SP	Add	1.75	2.05	\$6,064	37.2%	1.47	1.19	5.0%	5.0%	5.0%
Sabana Shariah	SSREIT SP	NR	0.45	NA	\$352	33.4%	0.51	0.88	na	na	na
Simple Average						36.6%	1.30	5.7%	5.9%	6.0%	
Office											
Keppel REIT	KREIT SP	Add	1.11	1.29	\$2,990	37.9%	1.33	0.83	5.2%	5.4%	5.4%
OUE Commercial REIT	OUECT SP	Hold	0.39	0.39	\$1,539	39.4%	0.57	0.68	6.3%	6.4%	6.2%
Suntec REIT	SUN SP	Add	1.60	1.79	\$3,324	43.1%	2.13	0.75	6.2%	6.3%	6.3%
Simple Average						40.1%	0.76	5.9%	6.0%	6.0%	
Retail											
CapitaLand Integrated Commercial	CICT SP	Add	2.13	2.57	\$10,219	40.6%	2.07	1.03	5.2%	5.3%	5.4%
Frasers Centrepoint Trust	FCT SP	Add	2.35	2.75	\$2,894	33.3%	2.31	1.02	5.3%	5.4%	5.5%
Lendlease Global Commercial REIT	LREIT SP	Add	0.83	1.05	\$1,368	40.7%	0.81	1.02	5.7%	6.3%	6.4%
Mapletree Commercial Trust	MCT SP	Add	1.88	2.18	\$5,914	33.5%	1.74	1.08	5.1%	5.2%	5.3%
SPH REIT	SPHREIT SP	Hold	0.94	0.95	\$1,908	30.3%	0.91	1.03	5.6%	5.6%	5.7%
Starhill Global REIT	SGREIT SP	Add	0.60	0.67	\$964	36.1%	0.80	0.74	5.9%	6.7%	7.1%
Simple Average						35.8%	0.99	5.5%	5.8%	5.9%	
Overseas-centric											
CapitaLand China Trust	CLCT SP	NR	1.16	NA	\$1,388	34.7%	1.55	0.75	7.9%	8.5%	8.7%
Elite Commercial REIT	ELITE SP	Add	0.61	0.76	\$352	42.9%	0.59	1.03	8.3%	8.9%	9.0%
Manulife US REIT	MUST SP	Add	0.60	0.86	\$1,050	42.8%	0.67	0.89	9.6%	10.3%	10.6%
Sasseur REIT	SASSR SP	Add	0.78	1.06	\$692	26.2%	0.99	0.79	9.4%	9.8%	10.2%
Simple Average						38.4%	0.88	0.08	0.09	0.09	
Healthcare											
Parkway Life REIT	PREIT SP	Hold	4.78	5.05	\$2,093	34.5%	2.38	2.01	3.0%	3.0%	3.1%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

NR estimates are based on Bloomberg consensus forecasts

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Rental Revenues	745.2	1,305.1	1,461.9	1,501.7	1,532.5
Other Revenues	0.0	0.0	0.0	0.0	0.0
Gross Property Revenue	745.2	1,305.1	1,461.9	1,501.7	1,532.5
Total Property Expenses	(232.5)	(354.0)	(396.4)	(417.9)	(423.9)
Net Property Income	512.7	951.1	1,065.5	1,083.8	1,108.6
General And Admin. Expenses	0.0	0.0	0.0	0.0	0.0
Management Fees	(50.7)	(82.2)	(91.5)	(91.6)	(91.7)
Trustee's Fees	(5.2)	(6.6)	(8.7)	(8.7)	(8.7)
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0
EBITDA	456.9	862.3	965.3	983.4	1,008.1
Depreciation And Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	456.9	862.3	965.3	983.4	1,008.1
Net Interest Income	(131.2)	(183.4)	(213.9)	(216.4)	(217.2)
Associates' Profit	(14.1)	140.2	12.5	23.4	24.0
Other Income/(Expenses)	0.0	0.0	0.0	0.0	0.0
Exceptional Items	(393.6)	270.5	0.0	0.0	0.0
Pre-tax Profit	(82.0)	1,089.6	763.9	790.5	814.9
Taxation	0.1	(19.2)	(21.2)	(21.6)	(22.1)
Minority Interests	0.1	0.0	(1.3)	(1.3)	(1.3)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Net Profit	(81.9)	1,070.4	741.4	767.5	791.5
Distributable Profit	375.6	687.4	768.8	784.4	808.3

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Pre-tax Profit	(82)	1,090	764	790	815
Depreciation And Non-cash Adj.	145	43	201	193	193
Change In Working Capital	(63)	(51)	(80)	10	8
Tax Paid	0	(5)	(21)	(22)	(22)
Others	394	(249)	13	24	25
Cashflow From Operations	394	828	877	996	1,018
Capex	(44)	(94)	(1,568)	(30)	(30)
Net Investments And Sale Of FA	(926)	293	0	0	0
Other Investing Cashflow	57	57	6	3	3
Cash Flow From Investing	(912)	256	(1,562)	(27)	(27)
Debt Raised/(repaid)	1,004	(480)	1,568	20	20
Equity Raised/(Repaid)	0	0	0	0	0
Dividends Paid	(371)	(448)	(746)	(761)	(784)
Cash Interest And Others	(134)	26	(220)	(220)	(221)
Cash Flow From Financing	499	(902)	602	(961)	(985)
Total Cash Generated	(19)	182	(83)	8	7
Free Cashflow To Firm	(515)	1,090	(679)	973	995
Free Cashflow To Equity	367	401	669	773	794

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Investments	21,874	21,751	23,191	23,220	23,248
Intangible Assets	0	0	0	0	0
Other Long-term Assets	269	228	228	228	228
Total Non-current Assets	22,143	21,980	23,420	23,448	23,477
Total Cash And Equivalents	184	365	282	291	297
Inventories	0	278	278	278	278
Trade Debtors	83	109	107	110	113
Other Current Assets	6	10	10	10	10
Total Current Assets	273	762	678	689	698
Trade Creditors	293	557	476	489	499
Short-term Debt	932	595	595	595	595
Other Current Liabilities	109	107	107	107	107
Total Current Liabilities	1,334	1,259	1,178	1,191	1,201
Long-term Borrowings	7,794	7,583	9,391	9,411	9,431
Other Long-term Liabilities	220	205	205	205	205
Total Non-current Liabilities	8,015	7,787	9,596	9,616	9,636
Shareholders' Equity	13,068	13,696	13,324	13,331	13,338
Minority Interests	0	0	0	0	0
Preferred Shareholders Funds					
Total Equity	13,068	13,696	13,324	13,331	13,338

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Property Revenue Growth	(5.3%)	75.1%	12.0%	2.7%	2.1%
NPI Growth	(8.8%)	85.5%	12.0%	1.7%	2.3%
Net Property Income Margin	68.8%	72.9%	72.9%	72.2%	72.3%
DPS Growth	(27.4%)	19.7%	6.2%	2.0%	3.0%
Gross Interest Cover	3.42	4.54	4.39	4.47	4.57
Effective Tax Rate	0.00%	1.76%	2.77%	2.74%	2.71%
Net Dividend Payout Ratio	NA	63%	101%	99%	99%
Current Ratio	0.20	0.61	0.58	0.58	0.58
Quick Ratio	0.20	0.38	0.34	0.35	0.35
Cash Ratio	0.14	0.29	0.24	0.24	0.25
Return On Average Assets	(0.48%)	4.74%	3.17%	3.18%	3.28%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Rental Rate Psf Pm	7.0	11.6	11.9	12.0	12.0
Net lettable area (NLA) ('000sqft)	9,907,247.7	9,907,247.7	9,907,247.7	9,907,247.7	9,907,247.7
Occupancy (%)	96.8%	99.4%	99.4%	99.4%	99.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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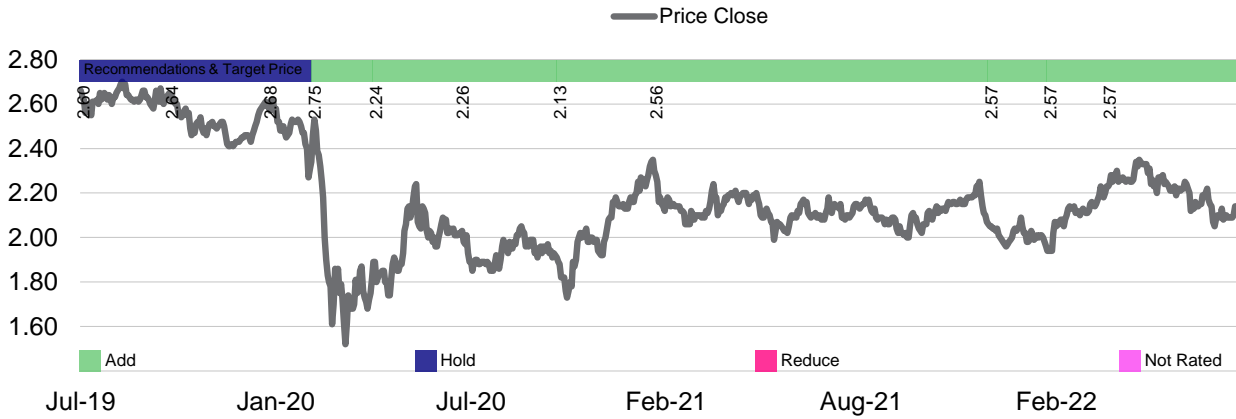
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643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)

CapitaLand Integrated Commercial (CICT SP)



Recommendation Framework

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Add The stock's total return is expected to exceed 10% over the next 12 months.

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