

COMPANY RESULTS

CapitaLand Ascendas REIT (CLAR SP)

2H24: Stepping Up On Redevelopment Projects Locally And Abroad

CLAR achieved an average rental reversion of 8.6% in 4Q24 (Singapore: +7.2%, Australia: +6.6%, UK/Europe: +10.9% and US: +11.6%). It saw a broad-based rise in occupancies across Singapore, Australia and the US. CLAR intends to expand its logistics portfolio in the US. It is redeveloping a data centre in Welwyn Garden City in the UK and logistics properties in Charleston in the US. CLAR provides a 2025 distribution yield of 5.8% (MINT: 6.4%). Maintain BUY with a target price of S\$3.51.

2H24 RESULTS

Year to 31 Dec (\$m)	2H24	yoy % chg	Remarks
Gross Revenue	753.0	-1.1	Divestment of four logistics properties in Australia and Singapore.
Net Property Income (NPI)	521.5	+1.4	Lower operating expenses.
Distributable Income	338.0	+3.4	Finance costs decreased 1.9% yoy.
DPU (S cents)	7.681	+3.2	Number of units increased 0.2%.

Source: CLAR, UOB Kay Hian

RESULTS

- CapitaLand Ascendas REIT (CLAR) reported DPU of 7.681 S cents for 2H24 (+3.2% yoy), which is in line with our expectation.
- Generating growth from cost efficiency.** Gross revenue fell 1.1% yoy in 2H24 due to the divestment of three logistics properties in Australia and one logistics property in Singapore as well as the decommissioning of Welwyn Garden City in the UK and 5 Toh Guan Road East in Singapore for redevelopment. NPI margin improved 1.8ppt yoy to 69.3% due to lower operating expenses. Thus, NPI grew 1.4% yoy. Finance costs decreased 1.9% yoy.
- Broad-based rise in occupancies across Singapore, Australia and the US.** Portfolio occupancy increased 0.7ppt qoq to a healthy 92.8% in 4Q24 with improvements across all geographies (Singapore: +0.5ppt qoq to 92.5%, Australia: +0.8ppt qoq to 92.5%, UK/Europe: unchanged at 99.3% and US: +1.8ppt qoq to 88.9%). Occupancy for ONE@Changi City at Changi Business Park (CBP) improved 18ppt qoq to 99.5%. Occupancy for two logistics properties in Kansas City in the US, Lackman Business Centre 1-3 and 4, were restored back to 100%.
- Clocked high single-digit positive rental reversion.** CLAR achieved an average rental reversion of 8.6% for leases signed in 4Q24 (Singapore: +7.2%, Australia: +6.6%, UK/Europe: +10.9% and US: +11.6%). Logistics properties in Singapore clocked the strongest positive rental reversion of 17.8%. Management expects average rental reversion to be positive mid-single digit for 2025.
- Clocked small revaluation gain of S\$11m.** Portfolio valuation was relatively flat at S\$16.8b on a same-store basis. The increase in valuations for Singapore (+2.8%) was offset by declines for Australia (-8.3%) and the US (-6.9%) caused by cap rate expansion of about 50bp. NAV per unit increased 0.4% yoy to S\$2.27.

KEY FINANCIALS

Year to 31 Dec (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	1,480	1,523	1,545	1,619	1,656
EBITDA	920	951	950	999	1,024
Operating profit	920	951	950	999	1,024
Net profit (rep./act.)	167	719	641	684	704
Net profit (adj.)	671	698	641	684	704
EPU (S\$ cent)	15.6	15.9	14.6	15.5	15.9
DPU (S\$ cent)	15.2	15.2	15.2	16.2	16.6
PE (x)	16.9	16.6	18.1	17.0	16.6
P/B (x)	1.2	1.2	1.2	1.2	1.2
DPU Yld (%)	5.7	5.8	5.8	6.1	6.3
Net margin (%)	11.3	47.2	41.5	42.2	42.5
Net debt/(cash) to equity (%)	62.2	61.7	66.2	67.2	68.4
Interest cover (x)	3.6	3.5	3.4	3.5	3.5
ROE (%)	1.6	7.0	6.2	6.7	6.9
Consensus DPU (S\$ cent)	-	-	15.3	16.0	16.7
UOBKH/Consensus (x)	-	-	1.00	1.01	1.00

Source: CapitaLand Ascendas REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.64
Target Price	S\$3.51
Upside	+33.0%
(Previous TP)	S\$3.74

COMPANY DESCRIPTION

CLAR invests in business & science park, life sciences, suburban office, high-specification industrial, data centres, light industrial and logistics & distribution properties. Its portfolio stands at S\$16.8b as of Dec 24, comprising 229 properties located across Singapore, Australia, Europe, UK and the US.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	CLAR SP
Shares issued (m):	4,400.5
Market cap (S\$m):	11,617.4
Market cap (US\$m):	8,580.1
3-mth avg daily t'over (US\$m):	19.2

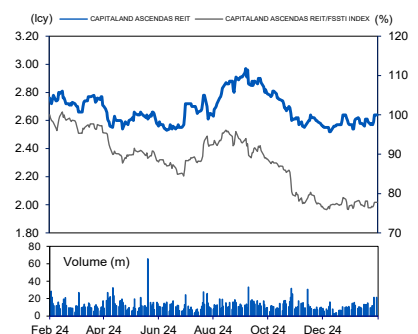
Price Performance (%)

52-week high/low	S\$2.99/S\$2.51			
1mth	3mth	6mth	1yr	YTD
2.3	1.1	(0.4)	(4.3)	2.7

Major Shareholders

Temasek Hldgs	19.6
FY25 NAV/Share (S\$)	2.26
FY25 Net Debt/Share (S\$)	1.54

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Prudent capital management.** Aggregate leverage was stable at 37.7% as of Dec 24. Average cost of debt was unchanged at 3.7% in 4Q24. Management expects cost to debt to increase slightly but remain below 4% in 2025. 83% of CLAR's borrowings are on fixed interest rates or hedged to fixed rates.
- Resilient balance sheet.** CLAR has a well-spread debt maturity profile with 13-14% of total borrowings maturing over the next three years. The average debt maturity is healthy at 3.5 years.

STOCK IMPACT

- Generating steady growth from diversified portfolio.** Management plans to recycle assets in Singapore and reposition toward technology, logistics and biomedical science properties. CLAR intends to expand its logistics portfolio in the US to leverage on the onshoring and reshoring trends. Occupancy for logistics properties in the US is currently 100%. Occupancy for business parks in the US could slip lower as the work-from-home arrangement is quite entrenched. Properties in UK/Europe are able to provide stable contributions due to a long WALE of 6.2 years. Demand for logistics properties in Australia has normalised with leasing downtime reverting back to the usual 6-12 months.
- Stepping up on redevelopment projects.** CLAR has embarked on one development (Summerville Logistics Center in Charleston, US) and four redevelopments (1 Science Park Drive (34% stake), 27 IBP, 5 Toh Guan Road East and Logis Hub @ Clementi) worth S\$775m scheduled for completion between 1Q25 and 1Q28.
- Redeveloping data centres in the UK.** CLAR has obtained planning approval to expand capacity of its data centre at Welwyn Garden City in the UK to 60MW. It is currently refining the design for the data centre. Redevelopment should commence in 2025.
- Redeveloping commercial properties in Singapore.** The lease with Singtel for Telepark, a data centre located at Tampines Hub, will expire in 2025. The underlying land use for the site is commercial. Management will explore the feasibility of redeveloping the site into a commercial property due to its central location.
- Redeveloping business park properties at IBP.** Occupancy at CBP has improved from 76% to above 80%. CLAR saw demand from engineering, aviation and education sectors. It is also courting potential tenants from the biomedical and semiconductor sectors. At International Business Park (IBP), CLAR is evaluating redevelopment for two properties, 29 IBP and 31 IBP, which are located next to the new Jurong Town Hall MRT station. Jurong Regional Line is expected to commence passenger service in 2027.
- CLAR has completed the acquisition of DHL Indianapolis Logistics Centre** in Whiteland in southeast Indianapolis from DHL USA for S\$150m (US\$116m) on 15 Jan 25. The acquisition increased CLAR's logistics AUM in the US by 35% to S\$588m. Its logistics footprint would expand to 20 properties across four cities with a total GFA of 5.1m sf. DHL USA will lease back the Class A logistics property for 11 years till Dec 35 with a built-in rental escalation at 3.5% per year. It has options to renew for two additional five-year terms. The property serves as a regional distribution hub for Indianapolis and the Midwest markets.

EARNINGS REVISION/RISK

- We trim our DPU forecast by 4% for 2025 and 1% for 2026 due to interest rates staying elevated, offset by contributions from redevelopment projects.

VALUATION/RECOMMENDATION

- Maintain BUY.** Our target price of S\$3.51 is based on DDM (cost of equity: 7.0% (previous: 6.75%), terminal growth: 2.5%).

SHARE PRICE CATALYST

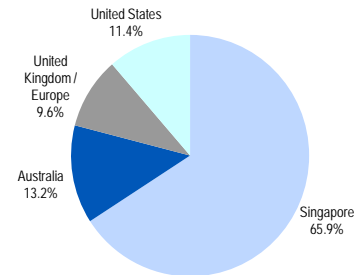
- Resiliency and growth from business parks, hi-tech buildings, life sciences, logistics and data centre segments. Contributions from development projects, redevelopment projects and AEs.

KEY OPERATING METRICS – CLAR

Year to 31 Dec	4Q23	1Q24	2Q24	3Q24	4Q24	yoy % Chg	qoq % Chg*
DPU (S cents)	7.44	n.a.	7.52	n.a.	7.68	3.2%	2.1%
Occupancy	94.2%	93.3%	93.1%	92.1%	92.8%	-1.4ppt	0.7ppt
Aggregate Leverage	37.9%	38.3%	37.8%	38.9%	37.7%	-0.2ppt	-1.2ppt
Average Cost of Debt	3.5%	3.8%	3.7%	3.7%	3.7%	0.2ppt	0ppt
% Borrowing in Fixed Rates	79.1%	82.6%	83.0%	80.2%	82.7%	3.6ppt	2.5ppt
WALE by NLA (years)	3.9	3.9	3.8	3.7	3.7	-0.2yrs	0yrs
Weighted Debt Maturity (years)	3.4	3.4	3.7	3.3	3.5	0.1yrs	0.2yrs
Rental Reversion	13.4%	16.9%	13.4%	14.4%	11.6%	-1.8ppt	-2.8ppt

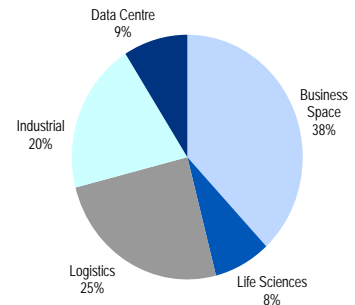
Source: CLAR, UOB Kay Hian * hoh % chg for DPU

PORTFOLIO VALUATION BY GEOGRAPHICAL REGION



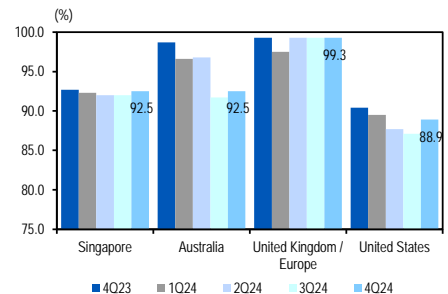
Source: CLAR

PORTFOLIO VALUATION BY ASSET CLASS



Source: CLAR

PORTFOLIO OCCUPANCY



Source: CLAR

POSITIVE RENTAL REVERSIONS

% Change in Renewal Rates	4Q23	1Q24	2Q24	3Q24	4Q24
SINGAPORE	16.9%	16.0%	11.9%	12.2%	7.2%
- Business Space & Life Science	13.1%	5.8%	8.3%	0.7%	3.2%
- Logistics	53.6%	62.0%	24.9%	31.7%	17.8%
- Industrial & Data Centres	9.4%	11.4%	13.9%	9.6%	9.6%
AUSTRALIA	21.8%	n.a.	7.7%	14.9%	6.6%
- Business Space	22.3%	n.a.	n.a.	9.5%	6.6%
- Logistics	9.1%	n.a.	7.7%	52.3%	n.a.
UNITED STATES	11.0%	28.7%	11.9%	22.9%	11.6%
- Business Space	11.0%	n.a.	9.6%	22.9%	11.6%
- Logistics	n.a.	28.7%	13.5%	n.a.	n.a.
UNITED KINGDOWN / EUROPE	-6.6%	n.a.	10.1%	n.a.	10.9%
- Data Centres	-6.6%	n.a.	10.1%	n.a.	10.9%
- Logistics	n.a.	n.a.	n.a.	n.a.	n.a.
Total Portfolio	15.2%	16.9%	11.7%	14.4%	14.4%

Source: CLAR

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	1,523.0	1,545.1	1,618.6	1,656.3
EBITDA	951.3	949.8	999.3	1,024.4
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	951.3	949.8	999.3	1,024.4
Total other non-operating income	20.3	0.0	0.0	0.0
Associate contributions	0.5	0.0	0.0	0.0
Net interest income/(expense)	(271.3)	(282.0)	(287.2)	(290.9)
Pre-tax profit	700.9	667.7	712.0	733.5
Tax	17.9	(26.7)	(28.5)	(29.3)
Minorities	0.0	0.0	0.0	0.0
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	718.7	641.0	683.6	704.2
Net profit (adj.)	698.4	641.0	683.6	704.2

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	947.7	929.2	969.3	980.9
Pre-tax profit	680.6	667.7	712.0	733.5
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	(1.9)	34.4	26.2	13.4
Non-cash items	17.3	16.8	16.9	17.0
Other operating cashflows	251.8	210.2	214.2	217.0
Investing	(61.6)	(448.0)	(80.0)	(80.0)
Capex (growth)	(119.4)	(368.0)	0.0	0.0
Capex (maintenance)	(107.0)	(80.0)	(80.0)	(80.0)
Proceeds from sale of assets	175.1	0.0	0.0	0.0
Others	(10.5)	0.0	0.0	0.0
Financing	(944.9)	(506.0)	(873.5)	(897.9)
Distribution to unitholders	(657.8)	(672.0)	(714.7)	(735.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.7	419.6	100.0	100.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(287.8)	(253.6)	(258.8)	(262.5)
Net cash inflow (outflow)	(58.8)	(24.9)	15.9	3.0
Beginning cash & cash equivalent	221.6	167.7	142.9	158.7
Changes due to forex impact	5.0	0.0	0.0	0.0
Ending cash & cash equivalent	167.7	142.9	158.7	161.8

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	17,027.2	17,475.2	17,555.2	17,635.2
Other LT assets	891.6	863.6	835.6	807.5
Cash/ST investment	167.7	142.9	158.7	161.8
Other current assets	182.5	166.5	171.5	174.1
Total assets	18,269.0	18,648.1	18,721.0	18,778.6
ST debt	980.5	980.5	980.5	980.5
Other current liabilities	540.1	559.3	583.4	595.8
LT debt	5,544.4	5,964.0	6,064.0	6,164.0
Other LT liabilities	895.6	867.6	847.4	823.8
Shareholders' equity	10,307.8	10,276.8	10,245.7	10,214.5
Minority interest	0.7	0.0	0.0	0.0
Total liabilities & equity	18,269.0	18,648.1	18,721.0	18,778.6

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	62.5	61.5	61.7	61.8
Pre-tax margin	46.0	43.2	44.0	44.3
Net margin	47.2	41.5	42.2	42.5
ROA	3.9	3.5	3.7	3.8
ROE	7.0	6.2	6.7	6.9
Growth				
Turnover	2.9	1.4	4.8	2.3
EBITDA	3.4	(0.2)	5.2	2.5
Pre-tax profit	337.2	(4.7)	6.6	3.0
Net profit	331.3	(10.8)	6.6	3.0
Net profit (adj.)	4.2	(8.2)	6.6	3.0
EPU	1.8	(8.4)	6.5	2.9
Leverage				
Debt to total capital	38.8	40.3	40.7	41.2
Debt to equity	63.3	67.6	68.8	69.9
Net debt/(cash) to equity	61.7	66.2	67.2	68.4
Interest cover (x)	3.5	3.4	3.5	3.5

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