

# Digital Disruption Series - 2

## Asian Retail Property

Refer to important disclosures at the end of this report

DBS Group Research . Equity

13 May 2015

### Face-off: E-commerce vs Shopping malls

- **E-commerce to hasten the demise of less-popular malls**
- **Three key strategies to mitigate e-commerce impact; O2O development is still at infant stage**
- **Greatest impact to be felt in China while other markets will also be affected**
- **Wharf, CR Land and Mapletree (MCT) to be less affected; Powerlong, CapitalMall and Frasers Centrepoint Trust to see greater impact**

#### E-commerce to hasten the demise of less-popular malls.

Rising online sales are adversely affecting sales of physical stores. Online-to-offline (O2O) adoption enables traditional retailers to use their physical stores as collection points for online sales. However, O2O is still a work in progress and most retailers in Asia are not completely ready yet. With the rise of online channels, the number and the size of physical stores required by retailers may decrease, likely leading to the demise of less-popular malls.

**Three key strategies to mitigate the impact of e-commerce, but most mall operators are still in their learning curves.** One of the ways is to raise exposure to food & beverage, entertainment, lifestyle and luxury segments, which are likely to mitigate the impact from online sales. Another strategy is to implement O2O offerings in the key shopping malls in order to help retailers raise their offline sales. Our analysis shows that most mall operators are adjusting their tenant mix, but O2O offerings are still in an infant stage of development. Another strategy is to focus on large malls in strategic locations where events and flagship stores can be hosted. The UK experience shows this could be a way to mitigate the e-commerce impact. This could also entail selling non-strategic or less-popular malls.

**More adverse impact in Tier-3 cities in China.** China's retail landlords are facing increasing threat from e-retailing. Shopping malls with higher exposure to Tier-3 cities and mass market product offerings are suffering the greatest hit. We see lesser impact in Singapore and Hong Kong due to their well-developed retail infrastructure and shopping convenience. However, we believe that less-popular malls in Singapore and Hong Kong could also see some adverse impact. In our view, Wharf, CR Land and Mapletree Commercial Trust could weather through the challenge. Wanda may also survive due to its first-mover advantage in Tier-3 cities and earlier-than-peers' O2O initiatives. Powerlong, CapitalLand Mall Trust and Frasers Centrepoint Trust may see greater challenge at selective malls due to their less-favourable tenant mix or locations.

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#### Screening companies based on 3-year horizon

	Cntry	Price	Mkt Cap (US\$m)	PE FY15F (x)	PE FY16F (x)	Div Yld FY14 (%)	EPS/DPU CAGR (14-16)	Rating
<b>Less Affected</b>								
<b>Hong Kong</b>								
	Wharf Holdings Ltd/The	HKD	55.65	21,759	13.5	12.7	3.3	12.6 Buy
	China Resources Land Ltd	HKD	27.15	22,873	14.7	13.0	1.8	-9.0 Buy
<b>Singapore</b>								
	Mapletree Commercial Trust *	SGD	1.54	2,424	19.2	18.1	5.2	5.7 Hold
<b>Challenged</b>								
<b>Hong Kong</b>								
	Powerlong Real Estate Holdings	HKD	1.74	933	-	-	0.0	- NR
<b>Singapore</b>								
	CapitalLand Mall Trust	SGD	2.15	5,567	18.3	17.7	5.0	3.8 Hold
	Frasers CentrePoint Trust	SGD	2.06	1,411	16.9	17.2	5.4	3.0 Buy

\* FY15 : FY16; FY16 : FY17

Source: DBS Bank, DBS Vickers

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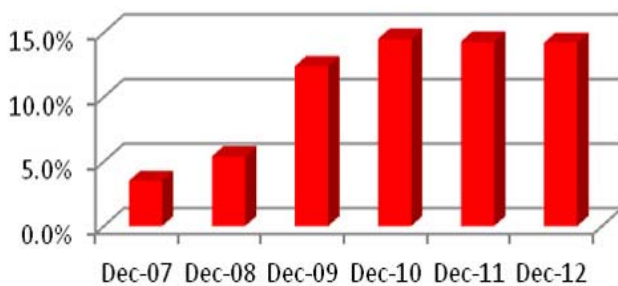
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## UK Experience

**Store vacancy rates in the UK have risen from 5.4% in December 2008 to 14.1% in March 2013.** Online sales accounted for 12.7% of total retail sales in 2012 and is expected to reach 21.5% by 2018, according to RetailResearch.org. The research centre has further stated that by 2018, the total number of stores will fall by 22%, from 281,930 to 220,000. Furthermore, it is projected that 164 major or medium-sized companies will go into administration, potentially involving the loss of 22,600 stores and 140,000 employees. Many of these companies will survive but at the cost of closing more than half their stores.

### Vacancy Rates of Main Shopping Areas in the UK



Source: Centre for Retail Research

Electrical chain Dixons has announced that it is reducing the number of its UK stores from 650 to 450, while Carpetright and Halfords are also shutting down shops. Sir Philip Green, with a fashion empire spanning Topshop, Burton, Miss Selfridge and Dorothy Perkins, has stated that he may close down 260 outlets in the next three years, which is one-tenth of the total, if he cannot renegotiate the leases.

The concept of click-and-pick, one type of O2O offering, has helped John Lewis, a fashion retailer, in a different way, enabling it to expand its reach. The company has only 40 stores, but click-and-collect allows customers to pick up any items bought from the John Lewis website from its sister company, Waitrose. This has added 300 outlets.

A research study by Plant Retail states that the number of UK shoppers using click-and-collect is likely to double by 2017. The study further revealed that 35% of online shoppers in the UK currently purchase via the online and self-collect channel, compared to 13% in the US and 5% in Germany. Within the next three years, this figure is expected to increase to 76% of online shoppers in the UK.

With the increasing popularity of click-and-collect, the demand for floor area is falling, and retail shops are turning more into collection points.

### Vacancy Rates of Main Shopping Areas in the UK

Region	Total stores 2012	Total stores 2018	Store closures	% decrease
Wales	14,500	10,349	4,151	29%
North west	24,100	17,255	6,845	28%
East Midlands	20,950	15,294	5,656	27%
Yorkshire & Humberside	22,638	16,780	5,858	26%
North East	37,000	27,723	9,277	25%
West Midlands	24,400	18,384	6,016	25%
Scotland	24,885	19,050	5,835	23%
South West	23,660	18,150	5,510	23%
Eastern	23,600	18,484	5,116	22%
South East	39,197	34,055	5,142	13%
London	27,000	24,476	2,524	9%
<b>Total</b>	<b>281,930</b>	<b>220,000</b>	<b>61,930</b>	<b>22%</b>

Source: Retail Futures 2018, May 2013

**Click-and-collect trend to have different impacts at different locations.** Areas like London, the south east, key shopping cities like London, Birmingham and Manchester and tourist areas like Oxford and Brighton are less likely to be affected. According to Andrew Jones, Chief Executive of retail landlord LondonMetric, smaller town centres would be the hardest hit.

Deloitte has stated that, to remain competitive, retailers may have to reduce their property portfolios by 30–40% in the next five years and adapt the remainder to meet consumers' changing demands.

## China

**Many developers are growing their commercial property exposure despite the e-commercial challenge.** Chinese developers' main revenue source is still property sales, while more are gradually building up their investment property portfolios. These include Wanda, CR Land, Cofco Land, Longfor, Sino Ocean and Powerlong. In terms of malls recently opened or under construction, Wanda and Powerlong are focusing more on Tier 3/4 cities, while others are targeting Tier 1/2 cities. In terms of brand names, CR Land aims to house most of the high-end international brands while others are focusing on mid- to high-end brand names. Most Hong Kong property companies that operate in China, such as SHKP, Wharf, Swire Properties, Hang Lung and Kerry Properties, are still the main players in the luxury mall segment in Tier 1/2 cities.

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**All are experiencing or foresee the e-commerce disruption.** The fast growing online shopping platform is driving developers to adjust their tenant mix more towards catering, experiential services, entertainment, education and social activities.

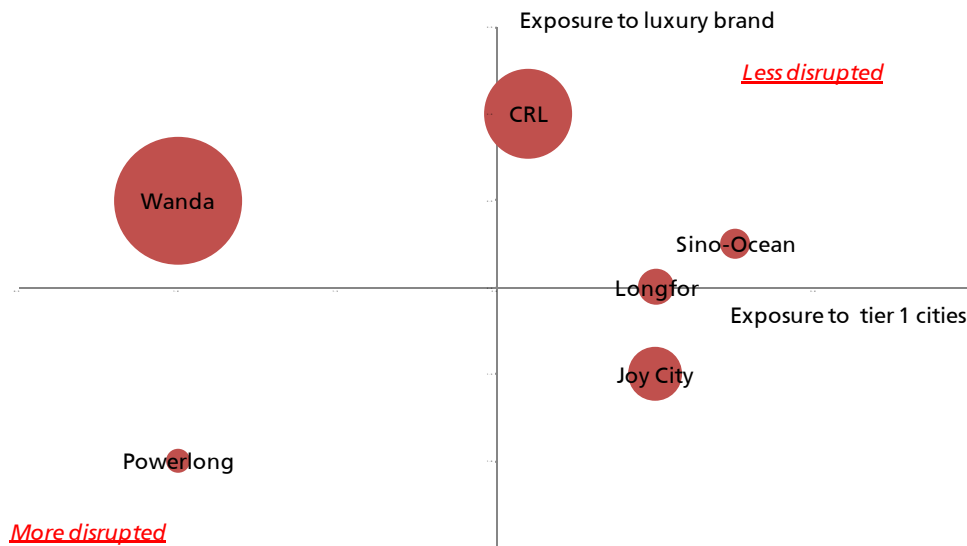
**Leverage on O2O to win the future battle.** Wanda Commercial, in collaboration with the two internet giants, Tencent and Baidu, has established Wanda E-commerce with the ambition of building the biggest O2O business platform, in which Wanda Commercial owns a 35% equity stake. Cofco Land is also working with Alibaba to drive its O2O initiatives in order to mitigate the impact from e-commerce. Longfor has also developed an O2O and big data system to provide Wi-Fi, smart parking, customer traffic analysis, payment system, etc. Yet, these efforts are only at the early stage of development and a successful model has yet to be built.

**Who are more resilient?** CR Land would be less affected as it is more high-end focused and its existing/future malls are mostly in Tier 1/2 cities. Longfor, Sino Ocean and Cofco Land should survive, given their better exposure to Tier 1/2 cities and close proximity to the transportation hubs.

Wanda has 48% of its leasable floor areas in Tier-3 cities, and is actively trying to address the challenges. If its O2O platform is set up successfully, Wanda's malls in Tier-3 cities could benefit from the "click-and-collect" model which may also generate additional purchases at its stores. Moreover, the company's first-mover advantage in Tier-3 cities will also enable it to mitigate some e-commerce disruption.

**Who are facing challenges?** Powerlong may face more challenges, given its relatively high exposure to Tier-3 cities and mid-end branding.

Exposure to luxury brands and Tier-1 cities in China



Source: DBS Vickers

## Hong Kong

**Online shopping is not very popular in Hong Kong.** Shopping is very convenient in Hong Kong. Most of the local shoppers are able to get to regional malls which house a mix of diversified branded retailers within 20 minutes by subway. Hence, online shopping is not a very important platform for locals. Online shopping would appeal to local shoppers only if the items cost less

or are unavailable locally. From the perspective of traditional branded retailers, online retailing has yet to become mainstream in Hong Kong. Indeed, the Hong Kong retail industry has received a strong boost from cross-border spending over the past decade. Wealthy Mainland tourists have been key purchasers of hard luxuries (expensive watches and jewellery). Even now, day trippers from Guangdong are still buying daily necessities or mid-priced products in Hong Kong. This has lessened the incentive for existing branded retailers to explore online retailing opportunities.

**Supermarket sizes are decreasing with stores >30,000 sqft being uncommon.** However, the local retail market landscape could change if locals are able to buy branded products via online retailers at cheaper prices as a result of price differentials. This may lead to adjustments in global pricing or store strategy by these established traditional retailers in Hong Kong. Over the long term, general products should be more easily sold via online e-platforms than other goods as shoppers need not visit the physical store to feel the items and for the shopping experience before making purchase decisions.

Some supermarket items fall into this category. Indeed, a growing number of locals are buying these items through the supermarkets' own websites at cheaper prices with delivery services provided. This in turn explains why supermarkets in Hong Kong have been downsizing in recent years. Supermarket stores of >30,000 sqft are uncommon nowadays.

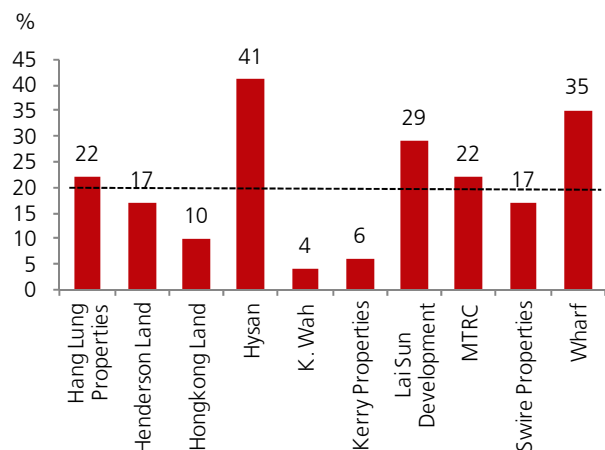
**Malls serving educated residents or middle class may face some challenges.** Going forward, malls where large supermarkets serve as anchor tenants to draw foot traffic may face challenges brought about by the popularity of this internet retailing mode in the future. This is especially true for malls serving educated residents or the middle class living nearby who are more likely to go for online shopping. Kornhill Plaza in Quarry Bay could be a case in point. But concerns should not be overstated as Hong Kong's renowned retail landlords excel in rejuvenating their malls through repositioning or trade mix reconfiguration, if needed.

**"Click-and-Collect" is not popular yet.** So far, "click-and-collect" service has yet to gain popularity among traditional retailers in offering O2O solutions. But if this proves to be

effective in the future, we do not rule out the possibility that these retailers would adjust their store strategies.

**Major shopping malls in strategic locations should be more resilient.** Malls such as Wharf's Harbour City and Times Square should be able to weather the competition from online retailing. These must-go-to shopping malls have diversified retail and entertainment offerings, with superb retail management in place. This has enabled these malls to provide a good shopping experience that online shopping is unable to match. Overall, online retailing, though not very popular yet, could gradually have implications on the trade mix of shopping malls in Hong Kong over the long term.

### Retail as % of Gross Asset Value in Hong Kong



Source: Companies, DBS Vickers

## Singapore

With retail sales stagnating over the past year and consumers taking to online shopping more for purchases, the impact on the retail brick-and-mortar shops is real as retailers grapple with this "new reality". Landlords are also adjusting their marketing strategies and repositioning their properties towards offering more entertainment and food & beverage outlets, aiming to remain relevant in the midst of changing consumer preferences.

Key characteristics that make a mall more resilient to the threat of e-commerce, in our view, are: (i) location, where malls that are located in or close to transportation hubs will likely see more pedestrian traffic and visibility and thus enjoy better sales, (ii) mall's size and the operator's scale which will mean a larger tenant reach, and (iii) mall's positioning where we feel that To-

Meet Malls and Pass-Through Malls are likely to perform better as they cater largely to F&B and entertainment services which are less likely to be affected.

We have identified some of the shopping malls which could face rising challenges. These would be (i) To-Go-To Malls in the electronics sector, and (ii) small Pass-Through malls which are not very conveniently located.

Among the landlords, we believe that Mapletree Commercial Trust (MCT) will perform the best given the location, size and performance of VivoCity, one of Singapore's largest malls located near Sentosa. On the other hand, CapitaMall Trust and Frasers Centrepoint Trust have exposure to some malls which could be challenged by the growth of e-commerce.

#### Segmenting malls based on their key characteristics

Type of Mall	Characteristic	Risk from E-Commerce
<b>Pass-Through Malls</b>	Fulfil shoppers' specific needs or convenient access en-route to final destination	More resilient but could be impacted if operational scale is small, offering limited mix of tenants and are not conveniently located
<b>To-Go-To Malls</b>	Typically has high concentration of tenants from a particular trade category	Benefit from "clustering effect" but lacks range. Malls that focus on electronics, fashion, sports, etc. are feeling the heat
<b>To-Meet Malls</b>	Designed for shoppers to meet and socialise, for leisure and are typically lifestyle-oriented	Scale is usually large so tenants and shoppers like to meet there. Risk of commoditisation due to limited range of tenants

Source: Kantar Retail, DBS Bank

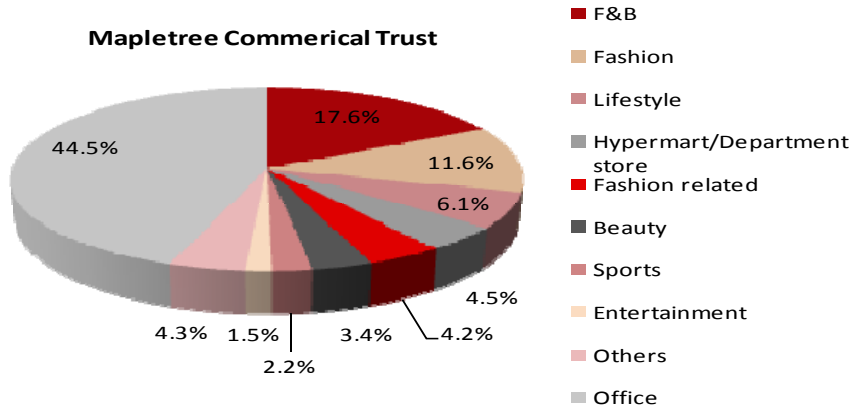
**Mapletree Commercial Trust.** As shown in the chart below, only 16% of Mapletree's portfolio is from Fashion, Department stores, Supermarkets, Gifts and Toys. This 12% of its portfolio is at risk due to e-commerce in the long term. In terms of mall portfolio, we do not see any shopping malls which could face big challenges.

**CapitaMall Trust.** About 26% of CMT's portfolio is from Fashion, Department stores, Supermarkets, and Others which could be cannibalised by e-commerce in the long term. In terms of mall portfolio, Funan Mall is a Go-To Mall for shopping electronics and IT equipment. Funan Mall is likely to feel the heat from rising online buying of electronic products. Jcube is a relatively smaller Pass-Through Mall that is likely to face competition from bigger Pass-Through Malls in the vicinity. Funan and Jcube make up c.11% of CapitaMall Trust's total rental space.

**Frasers Centrepoint Trust.** About 28% of FCT's portfolio is from Fashion, Department stores, Supermarkets, Gifts and Toys, where products are likely to be increasingly bought online. In terms of mall portfolio, BedokPoint and AnchorPoint are Pass-Through Malls with relatively smaller scale and are not located near the MRT. These malls may face challenges with the rising trend of online buying.

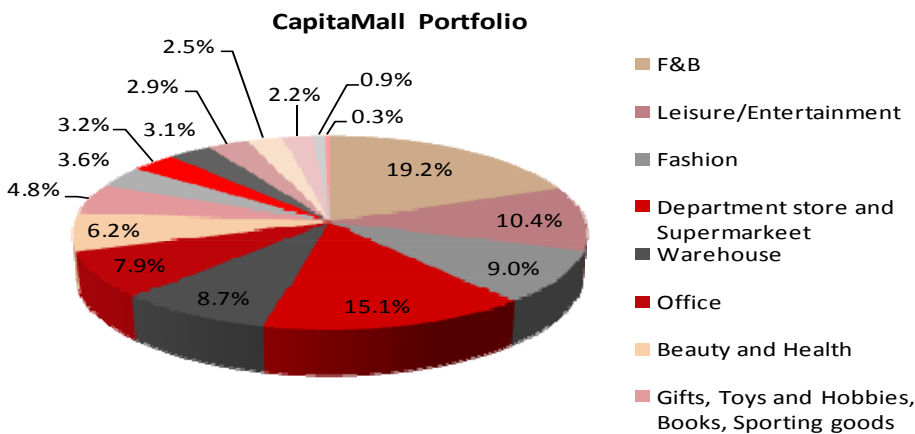
**SPH REIT and Suntec REIT will also be affected.** While SPH REIT and Suntec REIT operate mainly To-Meet and Pass-Through Malls, they may face further rental pressure when certain leases come up for renewal with c.23% and 28% exposure to Department stores, Supermarkets, Fashion and Others that are more affected by e-tailing. Given concentration risks and when compared against other retail landlords, we believe they are less resilient.

**About 16% of Mapletree's portfolio is from tenants in Fashion, Department stores, Supermarkets and Others**



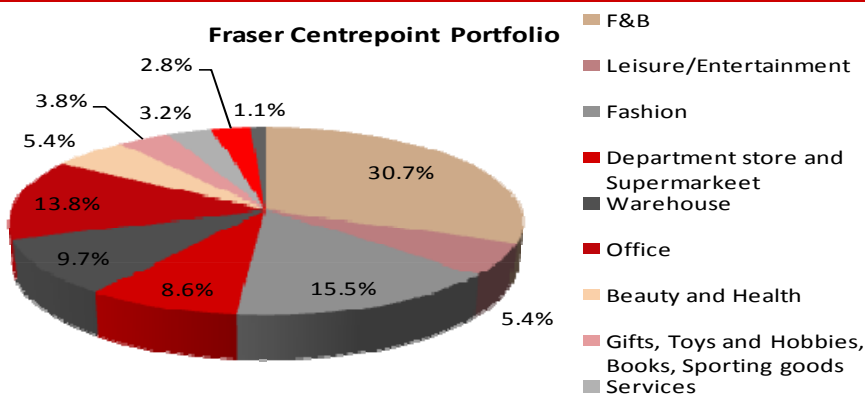
Source: Company

**About 26% of CMT's portfolio is from tenants in Fashion, Department stores, Supermarkets, Gifts and Toys**



Source: Company

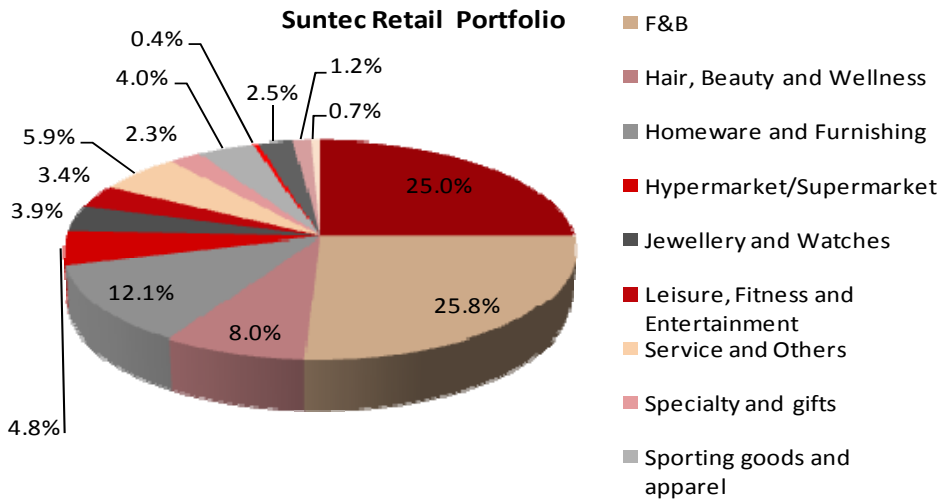
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Source: Company

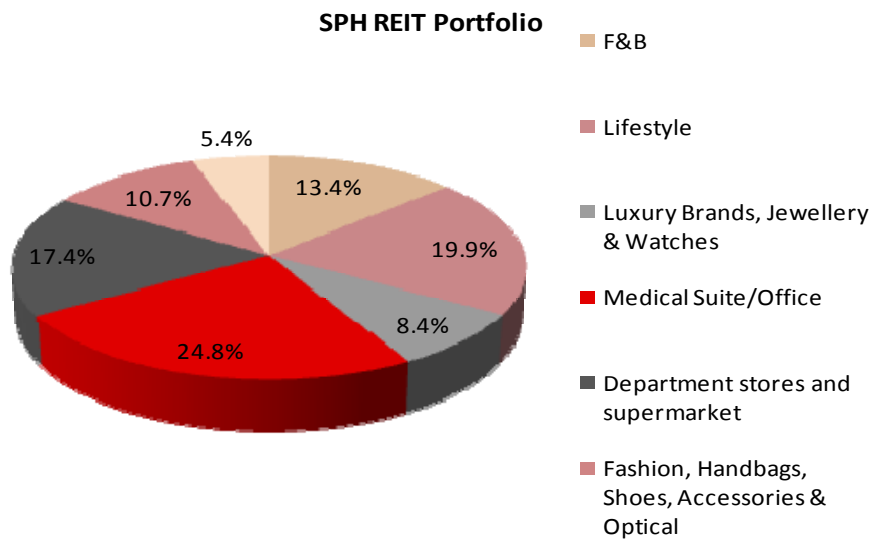
**Asian Retail Property**

**About 23% of SunTec's retail portfolio is from tenants in Homewares, Department stores, Supermarkets and Others**



Source: Company

**About 28% of SPH REIT's portfolio is from tenants in Department stores, Supermarkets and Fashion**



Source: Company



## Various Malls held by the listed REITs

Company	Mall	Size	Office (sq ft)	Retail (sq ft)	Type of mall
SPH REIT	Paragon	707,840	0	707,840	To-meet
	The Clementi Mall	192,460	0	192,460	Pass-through
<b>% of space that could be challenged</b>				<b>0%</b>	
Mapletree Commercial Trust	VivoCity	1,041,030	0	1,041,030	To-meet
	PSA Building	519,800	519,800	0	Office
	Bank of America				
	Merrill Lynch				
	HarbourFront	216,600	216,600	0	Office
Mapletree Anson	331,700	331,700	0	Office	
<b>% of space that could be challenged</b>				<b>0%</b>	
CapitaMall Trust	The Atrium @ Orchard	389,361	252,308	137,053	Pass-through
	Bugis Junction	393,983	0	393,983	To-meet
	Bukit Panjang Plaza	152,307	0	152,307	Pass-through
	Plaza Singapura	482,311	0	482,311	To-meet
	Tampines Mall	329,581	0	329,581	Pass-through
	Westgate	410,332	0	410,332	Pass-through
	Funan	298,598	0	298,598	To-go-to
	Raffles City	801,922	380,927	420,995	To-meet
	Clarke Quay	291,111	0	291,111	To-meet
	Jcube	210,337	0	210,337	Pass-through
	Lot One	219,837	0	219,837	Pass-through
	Junction 8	252,383	0	252,383	Pass-through
	Bugis+	214,420	0	214,420	To-meet
	IMM Building	952,649	537,225	415,424	Pass-through
Rivervale Mall	81,159	0	81,159	Pass-through	
Shebawang Shoppi	134,940	0	134,940	Pass-through	
<b>% of space that could be challenged</b>				<b>11.5%</b>	
Suntec REIT	Suntec City	2,250,905	1,294,191	956,714	To-meet
	Park Mall	267,148	123,232	143,916	To-meet
	One Raffles Quay	444,750	444,750	0	Office
	MBFC Properties	581,895	581,895	0	Office
<b>% of space that could be challenged</b>				<b>0.0%</b>	
Frasers Centrepoint Trust	Causeway Point	416,581	0	416,581	Pass-through
	Northpoint	235,850	0	235,850	Pass-through
	Changi City Point	207,239	0	207,239	Pass-through
	Bedok Point	82,713	0	82,713	Pass-through
	YewTee Point	73,670	0	73,670	Pass-through
	Anchorpoint	70,989	0	70,989	To-go-to
<b>% of space that could be challenged</b>				<b>14.1%</b>	

Source: Companies, DBS Bank

## Wharf Holdings

## Wharf Holdings (4 HK Equity, HK\$55.65, BUY, Target Price HK\$59.2)

## Forecast &amp; Valuation

FY Dec (HK\$m)	2013A	2014A	2015F	2016F
Turnover	31,887	38,136	42,312	43,538
EBITDA	14,007	15,172	16,353	17,262
Pretax Profit	15,008	14,089	15,999	17,057
Net Profit*	11,298	10,474	12,515	13,271
EPS (HK\$)*	3.73	3.46	4.13	4.38
EPS Gth (%)	2	(7)	19	6
PE (x)	14.9	16.1	13.5	12.7
EV/EBITDA (x)	16.2	15.0	13.9	13.1
DPS (HK\$)	1.70	1.81	1.96	2.03
Div Yield (%)	3.1	3.3	3.5	3.6
Net Gearing (%)	21	19	20	20
ROE (%)	4.3	3.6	4.0	4.1
Estimated NAV (HK\$)			88.0	91.0
Discount to NAV (%)			(37)	(39)

\* Exclude fair value changes on investment properties

## Income Statement (HK\$m)

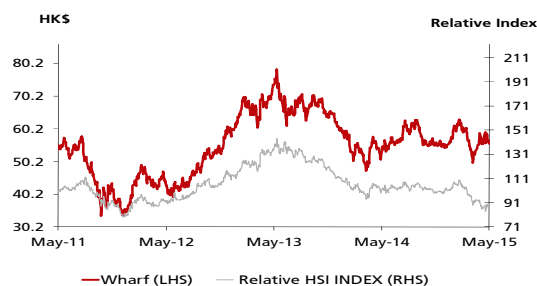
FY Dec	2013A	2014A	2015F	2016F
Turnover	31,887	38,136	42,312	43,538
EBITDA	14,007	15,172	16,353	17,262
Depr/Amort	(1,445)	(1,522)	(1,552)	(1,583)
<b>EBIT</b>	<b>12,562</b>	<b>13,650</b>	<b>14,801</b>	<b>15,678</b>
Associates Inc	2,716	1,437	2,365	2,746
Interest (Exp)/Inc	(1,090)	(1,067)	(1,167)	(1,367)
Exceptionals	820	69	-	-
<b>Pre-Tax Profit</b>	<b>15,008</b>	<b>14,089</b>	<b>15,999</b>	<b>17,057</b>
Tax	(2,869)	(3,187)	(2,910)	(3,133)
Minority Interest	(841)	(428)	(574)	(652)
<b>Net Profit</b>	<b>11,298</b>	<b>10,474</b>	<b>12,515</b>	<b>13,271</b>
Sales Growth (%)	3	20	11	3
Net Profit Gr (%)	2	(7)	19	6
EBITDA Mgn (%)	43.9	39.8	38.6	39.6
Opg Mgn (%)	39.4	35.8	35.0	36.0
Tax Rate (%)	19.1	22.6	18.2	18.4

## Cash Flow Statement (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
EBIT	12,562	13,650	14,801	15,678
Tax Paid	(3,105)	(3,187)	(2,910)	(3,133)
Depr/Amort	1,445	1,522	1,552	1,583
Chg in Wkg Cap	5,543	(4,282)	(7,082)	(1,412)
Othr Non-Cash	(640)	(1,971)	(2,167)	(2,467)
<b>Operational CF</b>	<b>15,805</b>	<b>5,732</b>	<b>4,194</b>	<b>10,249</b>
Capex	(14,036)	(14,500)	(2,100)	(2,100)
Assoc, MI, Invsmt	2,035	3,780	(560)	(3,630)
<b>Investment CF</b>	<b>(12,001)</b>	<b>(10,720)</b>	<b>(2,660)</b>	<b>(5,730)</b>
Net Chg in Debt	8,646	5,000	(2,000)	(2,000)
New Capital	48	-	-	-
Dividend	(5,691)	(5,803)	(6,015)	(6,499)
Other financing CF	-	-	-	-
<b>Financing CF</b>	<b>3,003</b>	<b>(803)</b>	<b>(8,015)</b>	<b>(8,499)</b>
Chg in Cash	6,807	(5,790)	(6,481)	(3,981)
Chg in Net Cash	(1,839)	(10,790)	(4,481)	(1,981)

## General Data

Issued Capital (m shrs)	3,031
Mkt Cap (HK\$m/US\$m)	168,676 / 21,759
Major Shareholders (%)	
Wheelock	57.04
Free Float (%)	42.96
Avg Daily Volume (m shrs)	5.9



## Balance Sheet (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
Fixed Assets	285,258	326,917	333,502	340,207
Other LT Assets	46,693	47,291	50,216	56,592
Cash/ST Investments	24,515	18,725	12,245	8,264
Other Current Assets	58,586	51,725	59,857	62,420
<b>Total Assets</b>	<b>415,052</b>	<b>444,658</b>	<b>455,820</b>	<b>467,483</b>
ST Debt	9,502	8,653	6,500	6,500
Other Current Liab	37,243	40,752	40,802	40,852
LT Debt	73,085	69,331	69,484	67,484
Other LT Liab	10,967	11,811	11,811	11,811
Minority Interests	8,698	8,616	8,690	8,842
Shareholders' Equity	275,557	305,495	318,533	331,993
<b>Total Capital</b>	<b>415,052</b>	<b>444,658</b>	<b>455,820</b>	<b>467,483</b>
Share Capital (m)	3,030	3,030	3,030	3,030
Net Cash/(Debt)	(58,072)	(59,259)	(63,739)	(65,720)
Working Capital	36,356	21,045	24,800	23,332
Net Gearing (%)	21	19	20	20

## Segmental Breakdown (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
Investment Property	10,985	13,253	14,404	15,023
Hotels	1,526	1,600	1,728	1,853
Logistics	3,226	3,319	3,459	3,573
Communications, media and entertainment	3,684	3,522	3,654	3,754
Development Property	11,514	15,539	18,120	18,339
Investment and others	952	903	948	996
<b>Total sales</b>	<b>31,887</b>	<b>38,136</b>	<b>42,312</b>	<b>43,538</b>

Source: Company, DBS Vickers

China Resources Land (1109 HK Equity, HK\$27.15, BUY, Target Price HK\$32.5)

Forecast & Valuation

FY Dec (HK\$m)	2013A	2014A	2015F	2016F
Turnover	71,389	88,381	106,603	121,200
EBITDA	24,483	27,972	26,137	30,815
Pre-tax Profit	24,278	26,786	25,199	29,522
Net Profit	14,696	14,708	12,028	13,646
Core Profit	8,746	10,489	12,028	13,646
EPS (HK\$)	2.52	2.52	1.84	2.09
EPS Gth (%)	38.6	0.0	(27.0)	13.5
DPS (HK\$)	0.44	0.50	0.50	0.56
BV Per Share (HK\$)	14.55	16.56	18.06	19.58
PE (X)	10.8	10.8	14.7	13.0
EV/EBITDA (X)	8.3	7.6	10.2	8.9
Net Div Yield (%)	1.6	1.8	1.8	2.1
P/Book Value (X)	1.9	1.6	1.5	1.4
Net Debt/Equity (X)	0.4	0.4	0.6	0.6
ROAE (%)	19.1	16.2	11.2	11.1

General Data

Issued Capital (m shrs)	6,531
Mkt Cap (HK\$m/US\$m)	177,315 / 22,873
Major Shareholders (%)	
China Resources (Holdings)	65.02
Free Float (%)	34.98
Avg Daily Volume (m shrs)	14.9



Income Statement (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
Turnover	71,389	88,381	106,603	121,200
Cost of Goods Sold	(51,282)	(61,338)	(75,366)	(84,316)
<b>Gross Profit</b>	<b>20,107</b>	<b>27,044</b>	<b>31,237</b>	<b>36,884</b>
Other Opg (Exp)/Inc	4,007	484	(5,544)	(6,513)
<b>Operating Profit</b>	<b>24,114</b>	<b>27,527</b>	<b>25,693</b>	<b>30,371</b>
Other Non Opg (Exp)/Inc	-	-	-	-
Associates & JV Inc	310	58	-	-
Net Interest (Exp)/Inc	(146)	(799)	(494)	(848)
Exceptional Gain/(Loss)	-	-	-	-
<b>Pre-tax Profit</b>	<b>24,278</b>	<b>26,786</b>	<b>25,199</b>	<b>29,522</b>
Tax	(9,091)	(10,745)	(11,601)	(13,477)
Minority Interest	(491)	(1,332)	(1,570)	(2,399)
Preference Dividend	-	-	-	-
<b>Net Profit</b>	<b>14,696</b>	<b>14,708</b>	<b>12,028</b>	<b>13,646</b>
Core net profit	8,746	10,489	12,028	13,646
EBITDA	24,483	27,972	26,137	30,815
Sales Gth (%)	60.9	23.8	20.6	13.7
EBITDA Gth (%)	35.4	14.3	(6.6)	17.9
Opg Profit Gth (%)	35.9	14.2	(6.7)	18.2
Effective Tax Rate (%)	37.4	40.1	46.0	45.7

Cash Flow Statement (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
Pre-Tax Profit	24,278	26,786	25,199	29,522
Dep. & Amort.	368	444	444	444
Tax Paid	(6,064)	(12,582)	(11,601)	(13,477)
(Pft)/ Loss on disposal of FAs	(7,168)	(4,520)	-	-
Assoc. & JV Inc/(loss)	(310)	(58)	-	-
Non-Cash Wkg. Cap.	17,324	3,314	(1,774)	(5,164)
Other Operating CF	(10,229)	(8,055)	(44,739)	2,751
<b>Net Operating CF</b>	<b>18,200</b>	<b>5,330</b>	<b>(32,471)</b>	<b>14,076</b>
Capital Exp. (net)	(8,290)	(22,022)	(6,512)	(20,937)
Other Invts. (net)	-	-	-	-
Invts. in Assoc. & JV	(4,376)	(118)	-	-
Div from Assoc. & JV	-	-	-	-
Other Investing CF	-	-	-	-
<b>Net Investing CF</b>	<b>(12,666)</b>	<b>(22,140)</b>	<b>(6,512)</b>	<b>(20,937)</b>
Div Paid	(2,016)	(3,172)	(3,248)	(3,685)
Chg in Gross Debt	11,480	19,833	2,000	2,000
Capital Issues	(2,674)	-	12,600	-
Other Financing CF	(6,123)	7,679	2,613	3,672
<b>Net Financing CF</b>	<b>666</b>	<b>24,340</b>	<b>13,965</b>	<b>1,987</b>
Net Cashflow	6,201	7,530	(25,017)	(4,873)

Balance Sheet (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
Net Fixed Assets	67,327	84,184	90,251	106,224
Invts in Assocs & JVs	2,921	4,763	4,763	4,763
Other LT Assets	3,030	1,759	1,759	1,759
Cash & ST Invts	28,239	40,289	10,752	5,879
Inventory	22,695	21,616	21,616	21,616
Debtors	2,281	2,659	2,659	2,659
Other Current Assets	155,264	175,045	222,355	222,634
<b>Total Assets</b>	<b>281,757</b>	<b>330,315</b>	<b>354,156</b>	<b>365,533</b>
ST Debt	16,256	19,414	21,414	23,414
Other Current Liab	115,504	127,405	127,709	124,726
LT Debt	48,645	65,320	65,320	65,320
Other LT Liabilities	7,765	11,054	9,641	9,641
Shareholder's Equity	84,802	96,561	117,941	127,903
Minority Interests	8,785	10,560	12,130	14,529
<b>Total Cap. &amp; Liab.</b>	<b>281,757</b>	<b>330,315</b>	<b>354,156</b>	<b>365,533</b>
Non-Cash Wkg. Cap	39,760	47,639	94,647	97,908
Net Cash/(Debt)	(36,662)	(44,445)	(75,982)	(82,856)

Segmental Breakdown (HK\$m)

FY Dec	2013A	2014A	2015F	2016F
<b>Revenues</b>				
Development Properties	64,818	80,482	97,806	111,189
Investment Properties and management	3,960	4,627	5,362	6,403
Hotel	662	810	850	893
Construction and decoration services	1,949	2,463	2,586	2,715
<b>Total</b>	<b>71,389</b>	<b>88,381</b>	<b>106,603</b>	<b>121,200</b>

Source: Company, DBS Vickers

## Mapletree Commercial Trust

## Mapletree Commercial Trust (HOLD S\$1.54; MCT SP; Price Target : S\$ 1.63)

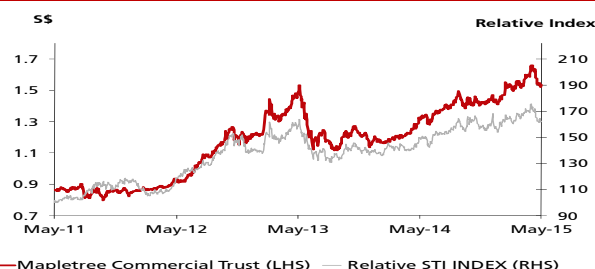
## Forecasts and Valuation

FY Mar (\$\$ m)	2014A	2015A	2016F	2017F
Gross Revenue	267	282	301	316
Net Property Inc	195	212	225	237
Total Return	343	312	170	180
Distribution Inc	153	168	179	190
EPU (\$ cts)	6.8	7.4	8.0	8.5
EPU Gth (%)	24	8	9	6
DPU (\$ cts)	7.4	8.0	8.5	8.9
DPU Gth (%)	13	9	6	6
NAV per shr (\$ cts)	116.5	123.9	123.5	122.9
PE (X)	22.4	20.8	19.2	18.1
Distribution Yield (%)	4.8	5.2	5.5	5.8
P/NAV (x)	1.3	1.2	1.2	1.2
Aggregate Leverage (%)	38.6	36.3	36.3	36.2
ROAE (%)	6.2	6.2	6.5	6.9

## General Data

Issued Capital (m shrs)	2,112
Mkt. Cap (\$\$m/US\$m)	3,242 / 2,424
Major Shareholders	
Temasek Holdings (%)	37.0
American International (%)	6.0
Schroders Plc (%)	6.0
Free Float (%)	51.0
Avg. Daily Vol. ('000)	1,997

## Price Relative



## Statement of Total Return (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F
Gross revenue	267	282	301	316
Property expenses	(72)	(71)	(76)	(79)
<b>Net Property Income</b>	<b>195</b>	<b>212</b>	<b>225</b>	<b>237</b>
Other Operating expenses	(19)	(20)	(21)	(22)
Other Non Opg (Exp)/Inc	0	0	0	0
Net Interest (Exp)/Inc	(35)	(36)	(34)	(35)
Exceptional Gain/(Loss)	1	0	0	0
<b>Net Income</b>	<b>143</b>	<b>156</b>	<b>170</b>	<b>180</b>
Tax	0	0	0	0
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
<b>Net Income After Tax</b>	<b>143</b>	<b>156</b>	<b>170</b>	<b>180</b>
Total Return	343	312	170	180
Non-tax deductible Items	10	13	10	10
Net Inc available for Dist.	153	168	179	190
Revenue Gth (%)	21.7	5.7	6.7	5.0
N Property Inc Gth (%)	25.2	8.4	6.2	5.5
Net Inc Gth (%)	24.7	9.3	8.9	6.1
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0

## Balance Sheet (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F
Investment Properties	4,034	4,199	4,205	4,211
Other LT Assets	1	5	5	5
Cash & ST Invt	70	55	48	39
Inventory	0	0	0	0
Debtors	4	3	4	4
Other Current Assets	1	1	1	1
<b>Total Assets</b>	<b>4,110</b>	<b>4,263</b>	<b>4,263</b>	<b>4,259</b>
ST Debt	339	189	189	189
Other Current Liabilities	62	67	67	69
LT Debt	1,249	1,358	1,358	1,355
Other LT Liabilities	35	32	32	32
Unit holders' funds	2,426	2,617	2,617	2,614
Minority Interests	0	0	0	0
<b>Total Funds &amp; Liabilities</b>	<b>4,110</b>	<b>4,263</b>	<b>4,263</b>	<b>4,259</b>
Non-Cash Wkg. Capital	(57)	(63)	(63)	(65)
Net Cash/(Debt)	(1,517)	(1,492)	(1,498)	(1,505)

## Cash Flow Statement (\$\$ m)

FY Mar	2014A	2015A	2016F	2017F
Pre-Tax Income	143	156	170	180
Dep. & Amort.	0	0	0	0
Tax Paid	1	0	(5)	0
Associates & JV Inc/(Loss)	0	0	0	0
Chg in Wkg.Cap.	3	3	5	2
Other Operating CF	42	44	10	10
<b>Net Operating CF</b>	<b>189</b>	<b>203</b>	<b>179</b>	<b>192</b>
Net Invt in Properties	(4)	(8)	(6)	(6)
Other Invt (net)	0	0	0	0
Invt in Assoc. & JV	0	0	0	0
Div from Assoc. & JVs	0	0	0	0
Other Investing CF	0	0	0	0
<b>Net Investing CF</b>	<b>(4)</b>	<b>(8)</b>	<b>(6)</b>	<b>(6)</b>
Distribution Paid	(126)	(136)	(179)	(190)
Chg in Gross Debt	0	(40)	0	(3)
New units issued	0	0	0	(3)
Other Financing CF	(35)	(35)	0	0
<b>Net Financing CF</b>	<b>(162)</b>	<b>(211)</b>	<b>(179)</b>	<b>(196)</b>
Currency Adjustments	0	0	0	0
Chg in Cash	23	(16)	(6)	(10)

Source: Company, DBS Bank

## Segmental Breakdown

FY Mar	2014A	2015A	2016F	2017F
Net Prop Inc Margins (%)	73.1	74.9	74.6	75.0
Net Income Margins (%)	53.4	55.1	56.3	56.9
Dist to revenue (%)	57.3	59.6	59.5	60.0
Managers & Trustee's fees to sales (%)	7.2	7.1	7.1	6.9
ROAE (%)	6.2	6.2	6.5	6.9
ROA (%)	3.6	3.7	4.0	4.2
ROCE (%)	4.5	4.6	4.9	5.1
Int. Cover (x)	5.1	5.4	6.0	6.1
Current Ratio (x)	0.2	0.2	0.2	0.2
Agg ratio (x)	0.2	0.2	0.2	0.2
Aggregate Leverage (%)	38.6	36.3	36.3	36.2
Z-Score (X)	1.3	1.3	1.3	1.3
Operating CFPS (\$ cts)	8.9	9.5	8.2	8.9
Free CFPS (\$ cts)	8.9	9.3	8.2	8.8

**CapitaLand Mall Trust (HOLD S\$2.15; CT SP; Price Target : S\$ 2.19)**

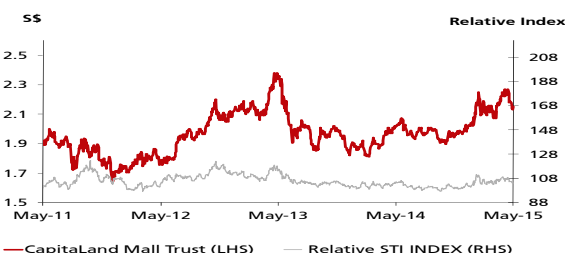
**Forecasts and Valuation**

FY Dec (\$\$ m)	2014A	2015F	2016F	2017F
Gross Revenue	659	664	680	694
Net Property Inc	448	477	488	496
Total Return	619	407	420	429
Distribution Inc	412	407	420	429
EPU (\$ cts)	13.2	11.8	12.1	12.4
EPU Gth (%)	12	(11)	3	2
DPU (\$ cts)	10.8	11.3	11.7	11.9
DPU Gth (%)	6	5	3	2
NAV per shr (\$ cts)	181.5	181.9	182.3	182.8
PE (X)	16.3	18.3	17.7	17.4
Distribution Yield (%)	5.0	5.3	5.4	5.6
P/NAV (x)	1.2	1.2	1.2	1.2
Aggregate Leverage (%)	33.0	32.9	32.9	32.9
ROAE (%)	7.4	6.5	6.7	6.8

**General Data**

Issued Capital (m shrs)	3,463
Mkt. Cap (\$\$m/US\$m)	7,445 / 5,567
Major Shareholders	
CapitaLand Ltd (%)	28.0
NTUC Enterprise (%)	18.0
Blackrock (%)	5.0
Free Float (%)	49.0
Avg. Daily Vol. ('000)	9,283

**Price Relative**



**Statement of Total Return (\$\$ m)**

FY Dec	2014A	2015F	2016F	2017F
Gross revenue	659	664	680	694
Property expenses	(210)	(187)	(192)	(198)
<b>Net Property Income</b>	<b>448</b>	<b>477</b>	<b>488</b>	<b>496</b>
Other Operating expenses	(46)	(46)	(47)	(47)
Other Non Opg (Exp)/Inc	0	0	0	0
Net Interest (Exp)/Inc	(99)	(100)	(100)	(101)
Exceptional Gain/(Loss)	5	0	0	0
<b>Net Income</b>	<b>457</b>	<b>407</b>	<b>420</b>	<b>429</b>
Tax	0	0	0	0
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
<b>Net Income After Tax</b>	<b>457</b>	<b>407</b>	<b>420</b>	<b>429</b>
Total Return	619	407	420	429
Non-tax deductible Items	(45)	0	0	0
Net Inc available for Dist.	412	407	420	429
Revenue Gth (%)	3.3	0.8	2.4	2.0
N Property Inc Gth (%)	2.2	6.4	2.4	1.7
Net Inc Gth (%)	12.3	(10.8)	3.0	2.2
Dist. Payout Ratio (%)	91.0	96.4	96.4	96.4

**Balance Sheet (\$\$ m)**

FY Dec	2014A	2015F	2016F	2017F
Investment Properties	7,510	7,576	7,602	7,612
Other LT Assets	1,194	1,194	1,194	1,194
Cash & ST Invt	1,130	1,133	1,138	1,158
Inventory	0	0	0	0
Debtors	25	31	32	33
Other Current Assets	0	0	0	0
<b>Total Assets</b>	<b>9,858</b>	<b>9,934</b>	<b>9,966</b>	<b>9,997</b>
ST Debt	762	762	762	762
Other Current Liabilities	253	304	311	316
LT Debt	2,407	2,417	2,427	2,437
Other LT Liabilities	153	153	153	153
Unit holders' funds	6,282	6,297	6,312	6,327
Minority Interests	0	0	0	0
<b>Total Funds &amp; Liabilities</b>	<b>9,858</b>	<b>9,934</b>	<b>9,966</b>	<b>9,997</b>
Non-Cash Wkg. Capital	(228)	(273)	(279)	(284)
Net Cash/(Debt)	(2,040)	(2,046)	(2,052)	(2,041)

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

FY Dec	2014A	2015F	2016F	2017F
Pre-Tax Income	457	407	420	429
Dep. & Amort.	0	0	0	0
Tax Paid	0	0	0	0
Associates & JV Inc/(Loss)	(149)	(76)	(78)	(80)
Chg in Wkg.Cap.	5	45	6	5
Other Operating CF	96	0	0	0
<b>Net Operating CF</b>	<b>409</b>	<b>376</b>	<b>347</b>	<b>353</b>
Net Invt in Properties	(65)	(66)	(26)	(10)
Other Invt (net)	0	0	0	0
Invt in Assoc. & JV	12	0	0	0
Div from Assoc. & JVs	97	76	78	80
Other Investing CF	6	0	0	0
<b>Net Investing CF</b>	<b>51</b>	<b>10</b>	<b>52</b>	<b>70</b>
Distribution Paid	(370)	(393)	(405)	(413)
Chg in Gross Debt	315	10	10	10
New units issued	0	0	0	0
Other Financing CF	(105)	0	0	0
<b>Net Financing CF</b>	<b>(160)</b>	<b>(383)</b>	<b>(395)</b>	<b>(403)</b>
Currency Adjustments	0	0	0	0
Chg in Cash	300	3	5	20

Source: Company, DBS Bank

**Segmental Breakdown**

FY Dec	2014A	2015F	2016F	2017F
Net Prop Inc Margins (%)	68.1	71.8	71.8	71.5
Net Income Margins (%)	69.3	61.3	61.7	61.8
Dist to revenue (%)	62.6	61.3	61.7	61.8
Managers & Trustee's fees to sales (%)	7.0	6.9	6.9	6.8
ROAE (%)	7.4	6.5	6.7	6.8
ROA (%)	4.8	4.1	4.2	4.3
ROCE (%)	4.3	4.5	4.6	4.6
Int. Cover (x)	4.1	4.3	4.4	4.5
Current Ratio (x)	1.1	1.1	1.1	1.1
Quick ratio (x)	1.1	1.1	1.1	1.1
Aggregate Leverage (%)	33.0	32.9	32.9	32.9
Z-Score (X)	6.0	5.9	5.9	5.9
Operating CFPS (\$ cts)	11.7	9.6	9.9	10.1
Free CFPS (\$ cts)	9.9	8.9	9.3	9.9

## Fraser's Centrepoint Trust

## Fraser's Centrepoint Trust (BUY S\$2.06; FCT SP; Price Target : S\$ 2.20)

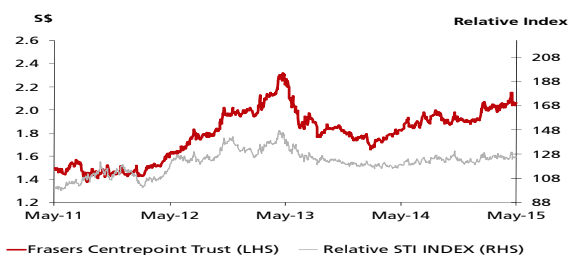
## Forecasts and Valuation

FY Sep (\$\$ m)	2014A	2015F	2016F	2017F
Gross Revenue	169	194	199	205
Net Property Inc	118	136	140	144
Total Return	165	108	110	114
Distribution Inc	95	107	109	112
EPU (\$ cts)	11.5	12.2	12.0	12.4
EPU Gth (%)	3	6	(1)	3
DPU (\$ cts)	11.2	11.7	11.9	12.2
DPU Gth (%)	2	4	2	3
NAV per shr (\$ cts)	198.6	185.3	185.2	185.1
PE (X)	17.9	16.9	17.2	16.6
Distribution Yield (%)	5.4	5.7	5.8	5.9
P/NAV (x)	1.0	1.1	1.1	1.1
Aggregate Leverage (%)	29.3	29.6	29.8	30.1
ROAE (%)	6.0	6.4	6.5	6.7

## General Data

Issued Capital (m shrs)	916
Mkt. Cap (\$\$m/US\$m)	1,887 / 1,411
Major Shareholders	
Fraser's Centrepoint Ltd (%)	41.3
Schroders Plc (%)	6.0
Free Float (%)	52.7
Avg. Daily Vol. ('000)	1,382

## Price Relative



## Statement of Total Return (\$\$ m)

FY Sep	2014A	2015F	2016F	2017F
Gross revenue	169	194	199	205
Property expenses	(51)	(58)	(60)	(61)
<b>Net Property Income</b>	<b>118</b>	<b>136</b>	<b>140</b>	<b>144</b>
Other Operating expenses	(15)	(15)	(15)	(15)
Other Non Opg (Exp)/Inc	0	0	0	0
Net Interest (Exp)/Inc	(18)	(19)	(20)	(21)
Exceptional Gain/(Loss)	4	0	0	0
<b>Net Income</b>	<b>96</b>	<b>108</b>	<b>110</b>	<b>114</b>
Tax	0	0	0	0
Minority Interest	0	0	0	0
Preference Dividend	0	0	0	0
<b>Net Income After Tax</b>	<b>96</b>	<b>108</b>	<b>110</b>	<b>114</b>
Total Return	165	108	110	114
Non-tax deductible Items	4	5	4	4
Net Inc available for Dist.	95	107	109	112
Revenue Gth (%)	6.8	15.1	2.6	2.9
N Property Inc Gth (%)	5.8	15.1	2.8	3.2
Net Inc Gth (%)	3.8	12.9	2.2	3.3
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0

## Balance Sheet (\$\$ m)

FY Sep	2014A	2015F	2016F	2017F
Investment Properties	2,400	2,403	2,406	2,408
Other LT Assets	75	76	77	77
Cash & ST Invts	47	57	66	75
Inventory	0	0	0	0
Debtors	0	0	0	0
Other Current Assets	0	0	0	0
<b>Total Assets</b>	<b>2,522</b>	<b>2,535</b>	<b>2,548</b>	<b>2,561</b>
ST Debt	95	95	95	95
Other Current Liabilities	58	61	62	63
LT Debt	644	654	664	674
Other LT Liabilities	26	26	26	26
Unit holders' funds	1,699	1,700	1,701	1,703
Minority Interests	0	0	0	0
<b>Total Funds &amp; Liabilities</b>	<b>2,522</b>	<b>2,535</b>	<b>2,548</b>	<b>2,561</b>
Non-Cash Wkg. Capital	(58)	(61)	(62)	(63)
Net Cash/(Debt)	(692)	(692)	(693)	(694)

## Cash Flow Statement (\$\$ m)

FY Sep	2014A	2015F	2016F	2017F
Pre-Tax Income	96	108	110	114
Dep. & Amort.	0	0	0	0
Tax Paid	0	0	0	0
Associates & JV Inc/(Loss)	(7)	(6)	(6)	(6)
Chg in Wkg.Cap.	(6)	3	1	1
Other Operating CF	18	0	0	0
<b>Net Operating CF</b>	<b>100</b>	<b>105</b>	<b>106</b>	<b>110</b>
Net Invnt in Properties	(299)	(3)	(3)	(3)
Other Invnts (net)	0	0	0	0
Invnts in Assoc. & JV	0	0	0	0
Div from Assoc. & JVs	5	5	5	5
Other Investing CF	(2)	0	0	0
<b>Net Investing CF</b>	<b>(296)</b>	<b>2</b>	<b>2</b>	<b>2</b>
Distribution Paid	(94)	(107)	(109)	(112)
Chg in Gross Debt	150	10	10	10
New units issued	162	0	0	0
Other Financing CF	414	0	0	0
<b>Net Financing CF</b>	<b>631</b>	<b>(97)</b>	<b>(99)</b>	<b>(102)</b>
Currency Adjustments	0	0	0	0
Chg in Cash	436	10	9	9

Source: Company, DBS Bank

## Segmental Breakdown

FY Sep	2014A	2015F	2016F	2017F
Net Prop Inc Margins (%)	70.0	70.0	70.1	70.3
Net Income Margins (%)	56.6	55.6	55.3	55.5
Dist to revenue (%)	56.6	55.1	54.6	54.6
Managers & Trustee's fees to sales (%)	8.6	7.5	7.4	7.3
ROAE (%)	6.0	6.4	6.5	6.7
ROA (%)	4.1	4.3	4.3	4.5
ROCE (%)	4.6	4.9	5.0	5.2
Int. Cover (x)	5.6	6.4	6.2	6.2
Current Ratio (x)	0.3	0.4	0.4	0.5
Quick ratio (x)	0.3	0.4	0.4	0.5
Aggregate Leverage (%)	29.3	29.6	29.8	30.1
Z-Score (X)	1.4	1.5	1.5	1.5
Operating CFPS (\$ cts)	12.8	11.6	11.4	11.8
Free CFPS (\$ cts)	(23.8)	11.5	11.2	11.6

DBS Bank recommendations are based on 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*

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