

Croesus Retail Trust (CRT SP)

Buy (Maintained)

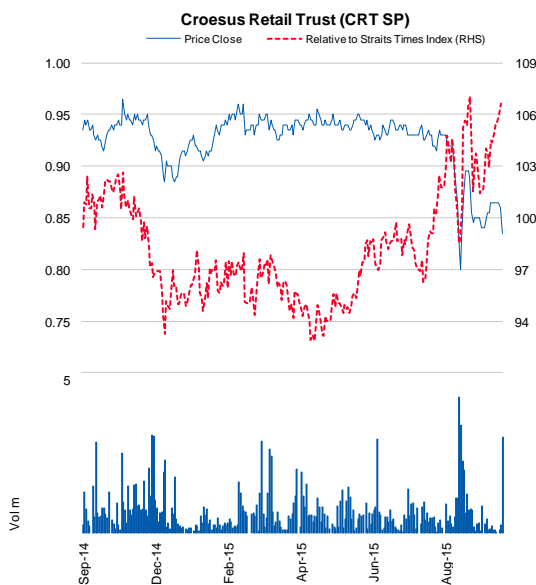
Property - REITS

 Target Price: **SGD0.93**

Market Cap: USD304m

 Price: **SGD0.84**

Looking To Acquire Torius Property

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (SGD/USD)	0.55m/0.37m
Cons. Upside (%)	9.5
Upside (%)	10.7
52-wk Price low/high (SGD)	0.80 - 0.97
Free float (%)	90
Share outstanding (m)	643.6
Shareholders (%)	
Target Asset Management	7.5
DBS Bank	6.5
AR Capital Pte Ltd	4.7
Share Performance (%)	
	YTD 1m 3m 6m 12m
Absolute	(9.7) (6.7) (10.7) (10.7) (10.7)
Relative	7.3 (1.1) 4.2 8.4 4.4

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Croesus Retail Trust (CRT) intends to acquire Torius Property in Japan's Fukuoka Prefecture for SGD98.8m. It represents a NPI yield of 7.8% and will be funded mainly by a 5-year 0.95% specified bond of JPY4bn – as well as gross proceeds of SGD69.7m from underwritten and renounceable 22 rights units for every 100 existing units at SGD0.61/share. With a mildly accretive acquisition and the 22% dilution, we maintain BUY with a lower DDM-backed TP of SGD0.93.

- ◆ **36 independent buildings at a go.** Torius Property, located in Japan's Fukuoka Prefecture, comprises 36 independent buildings with distinctive open-style architecture and comes with a 4,200-lot capacity carpark. It has a total of 145 tenants. Key tenants include Costco, Nafco, Daiso, GU and United Cinema. The 205,543 sq m parcel of land is under a lease until 9 Feb 2060 and has a net leasable area (NLA) of 77,032 sq m, accompanied by a WALE of 6.8 years. In addition, approximately 30% of its gross proceeds are made up of variable sales, while the rest are fixed monthly rentals. Its tenant sales for the past five years have been quite stable, at around JPY24.5bn-26bn a year.
- ◆ **Gearing drops to 46.5%.** The REIT will fund this JPY7,997m acquisition via: i) a 5-year 0.95% specified bond of JPY4bn, ii) gross proceeds of SGD69.7m from underwritten and renounceable 22 rights units for every 100 existing units at SGD0.61/share, as well as iii) a JPY600m consumption tax-specified bond. Its gearing will also decrease to 46.5% from 47.3%.
- ◆ **DPU impacted by only partial contribution from Torius Property.** As Torius Property would only contribute 8.5 months (in numbers) to CRT's FY16, despite an additional 22% potential dilution for the same period, the latter's distribution per unit (DPU) may be temporarily pressured before normalising in FY17. We still expect a DPU of about JPY6.38 cents for FY16, implying an attractive dividend yield of 9.1% at current levels. In addition, due to current market conditions, we conservatively adjusted for a higher risk-free rate as well as a higher beta. As a result, our DDM-backed TP drops to SGD0.93 from SGD1.10. With an attractive FY16F yield of 9.1%, asset enhancement initiative (AEI) possibilities and potential rental reversions after 3.3 years for this new mall, we maintain our BUY recommendation on the stock.

Forecasts and Valuations	Jun-14	Jun-15F	Jun-16F	Jun-17F	Jun-18F
Total turnover (JPYm)	6,261	7,635	9,371	9,834	9,834
Net property income (JPYm)	4,029	4,681	5,461	5,646	5,646
Reported net profit (JPYm)	4,793	7,579	3,547	3,728	3,727
Total distributable income (JPYm)	3,180	3,358	4,109	4,253	4,253
DPS (JPY)	7.37	6.86	6.38	6.52	6.44
DPS growth (%)	0.0	(7.0)	(6.9)	2.2	(1.3)
Recurring P/E (x)	6.3	4.8	12.7	12.3	12.4
P/B (x)	0.89	0.84	0.84	0.79	0.75
Dividend Yield (%)	10.5	9.8	9.1	9.3	9.2
Return on average equity (%)	0.0	19.5	7.3	6.7	6.2
Return on average assets (%)	0.0	8.5	3.4	3.4	3.4
Interest coverage ratio (x)	4.64	3.83	3.93	4.07	4.07
Our vs consensus EPS (adjusted) (%)		111.6	(24.5)	(21.7)	(22.7)

Source: Company data, RHB

Financial Exhibits

Profit & Loss (JPYm)	Jun-14	Jun-15F	Jun-16F	Jun-17F	Jun-18F
Total turnover	6,261	7,635	9,371	9,834	9,834
Property operating expenses	(2,232)	(2,954)	(3,909)	(4,187)	(4,187)
Net property income	4,029	4,681	5,461	5,646	5,646
Management fees	(128)	(137)	(192)	(198)	(198)
Trust expenses	(621)	(697)	(921)	(939)	(944)
Operating EBIT	3,280	3,847	4,348	4,509	4,505
Amortisation of intangible assets	(267)	(55)	-	-	-
Operating EBITDA	3,547	3,902	4,348	4,509	4,505
Net income from investments	3,784	6,706	809	853	857
Interest income	2	3	-	-	-
Interest expense	(707)	(1,004)	(1,107)	(1,107)	(1,107)
Exchange gains	(15)	114	(94)	(98)	(98)
Pre-tax profit	6,343	9,666	3,957	4,157	4,156
Taxation	(1,551)	(2,087)	(409)	(429)	(429)
Profit after tax & minorities	4,793	7,579	3,547	3,728	3,727
Reported net profit	4,793	7,579	3,547	3,728	3,727
Adjustment for distributable income	(1,613)	(4,221)	561	526	526
Total distributable income	3,180	3,358	4,109	4,253	4,253

Source: Company data, RHB

Cash flow (JPYm)	Jun-14	Jun-15F	Jun-16F	Jun-17F	Jun-18F
Operating profit	3,280	3,847	4,348	4,509	4,505
Depreciation & amortisation	267	55	-	-	-
Change in working capital	(2,661)	(344)	(1,356)	(491)	(500)
Other operating cash flow	442	585	1,282	1,285	1,288
Operating cash flow	1,328	4,142	4,275	5,303	5,293
Interest received	2	3	-	-	-
Interest paid	(272)	(598)	(1,107)	(1,107)	(1,107)
Tax paid	(148)	(337)	(409)	(429)	(429)
Cash flow from operations	909	3,210	2,759	3,767	3,757
Capex	(66,053)	(11,712)	(8,397)	(200)	(200)
Cash flow from investing activities	(66,053)	(11,712)	(8,397)	(200)	(200)
Dividends paid	(1,810)	(3,101)	(4,380)	(4,438)	(4,496)
Increase in debt	40,305	5,634	4,000	-	-
Other financing cash flow	29,404	6,108	5,853	-	-
Cash flow from financing activities	67,898	8,642	5,472	(4,438)	(4,496)
Cash at beginning of period	-	2,754	2,942	2,776	1,905
Total cash generated	2,754	141	(166)	(871)	(938)
Forex effects	0	46	-	(0)	0
Implied cash at end of period	2,754	2,942	2,776	1,905	966

Source: Company data, RHB

Financial Exhibits

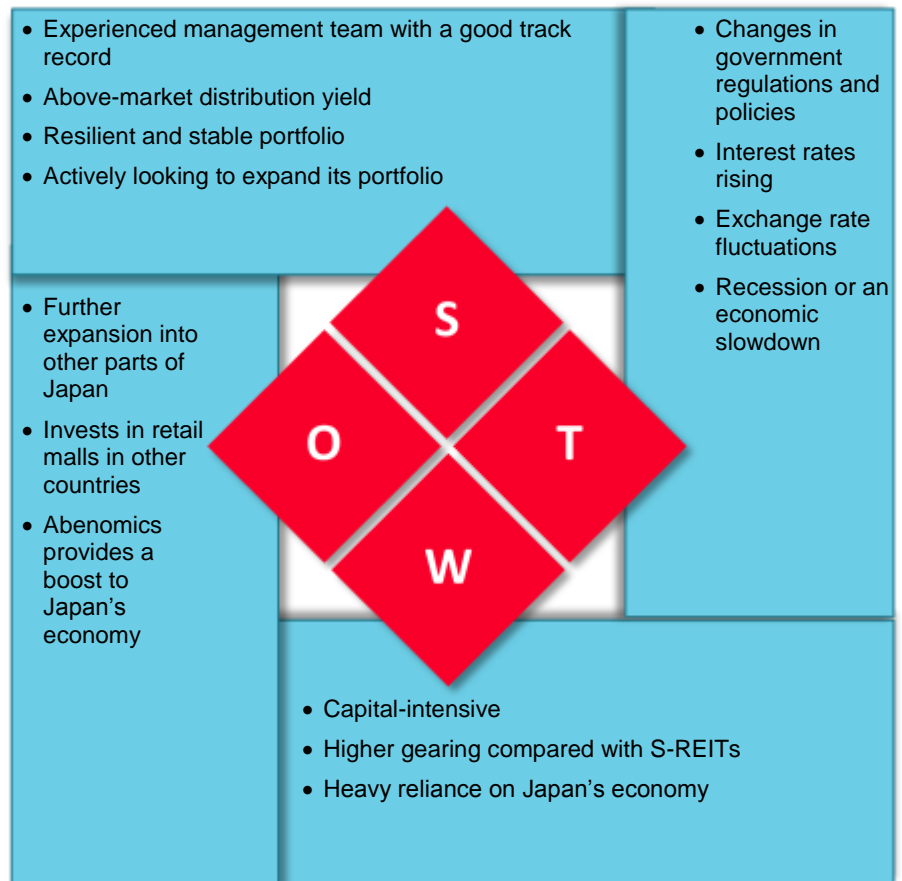
Balance Sheet (JPYm)	Jun-14	Jun-15F	Jun-16F	Jun-17F	Jun-18F
Total cash and equivalents	5,570	6,596	6,430	5,559	4,620
Other current assets	776	812	1,102	1,141	1,141
Total current assets	6,346	7,408	7,532	6,699	5,761
Total investments	69,882	87,930	96,767	97,450	98,138
Intangible assets	264	398	398	398	398
Total other assets	2,059	4,665	4,665	4,665	4,665
Total non-current assets	72,205	92,993	101,830	102,513	103,201
Total assets	78,551	100,401	109,361	109,213	108,962
Short-term debt	358	647	647	647	647
Accounts payable	885	1,219	652	698	698
Other current liabilities	681	914	914	914	914
Total current liabilities	1,924	2,781	2,213	2,259	2,259
Total long-term debt	40,244	46,840	50,840	50,840	50,840
Other liabilities	5,470	7,194	7,194	7,194	7,194
Total non-current liabilities	45,714	54,034	58,034	58,034	58,034
Total liabilities	47,638	56,815	60,247	60,293	60,293
Share capital	29,861	36,487	42,848	43,363	43,880
Retained earnings reserve	4,793	7,461	11,008	14,736	18,463
Other reserves	(450)	(361)	(361)	(361)	(361)
Shareholders' equity	34,204	43,586	53,495	57,737	61,982
Other equity	(3,291)	-	(4,380)	(8,818)	(13,314)
Total equity	30,913	43,586	49,114	48,919	48,668
Total liabilities & equity	78,551	100,401	109,361	109,213	108,962

Source: Company data, RHB

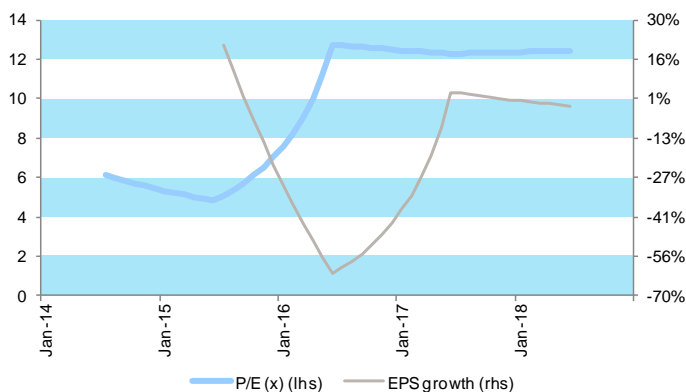
Key Ratios (JPY)	Jun-14	Jun-15F	Jun-16F	Jun-17F	Jun-18F
Revenue growth (%)	0.0	21.9	22.7	4.9	0.0
Net profit growth (%)	0.0	58.1	(53.2)	5.1	(0.0)
EPS growth (%)	0.0	31.0	(62.2)	3.7	(1.3)
BVPS growth (%)	0.0	5.9	(1.0)	6.5	6.0
Net profit margin (%)	76.5	99.3	37.9	37.9	37.9
Return on average assets (%)	0.0	8.5	3.4	3.4	3.4
Return on average equity (%)	0.0	19.5	7.3	6.7	6.2
Net debt to equity (%)	113.3	93.8	91.7	93.9	96.3
DPS	7.37	6.86	6.38	6.52	6.44
Recurrent cash flow per share	2.11	6.18	4.29	5.78	5.69

Source: Company data, RHB

SWOT Analysis

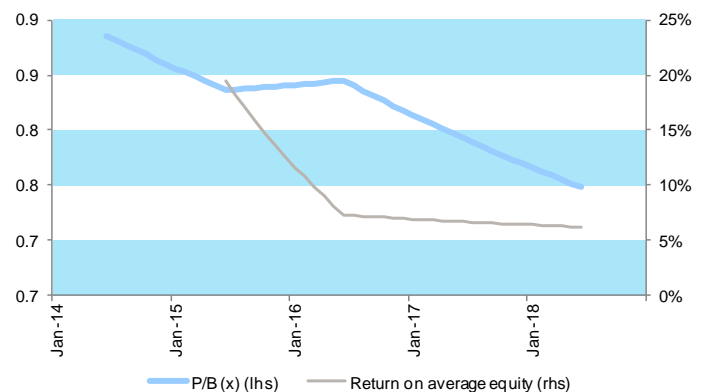


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Croesus Retail Trust (CRT) is the first Asia-Pacific retail business trust with an initial core portfolio of six Japanese assets generating stable distribution income. CRT is still actively seeking to develop and acquire Japanese retail real estate to generate long-term capital gains and income returns.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-27	Buy	1.10	0.90
2015-02-11	Buy	1.15	0.96
2014-09-02	Buy	1.15	0.99
2014-08-29	Buy	1.15	1.00
2014-07-22	Buy	1.20	0.98

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

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Not Rated: Stock is not within regular research coverage

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