



Securities Investors Association (Singapore)
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REIT: CapitaLand Integrated Commercial Trust
(Manager: CapitaLand Integrated Commercial Trust Management Limited)

Stock code: C38U

Meeting details:

Date: 14 April 2021

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the message to unitholders, despite a turbulent year caused by the pandemic, the trust started a new chapter as it was renamed CapitaLand Integrated Commercial Trust (CICT) on 3 November 2020 following a merger with CapitaLand Commercial Trust (CCT) under a scheme of arrangement.

CICT is now the largest REIT in Singapore and one of the largest REITs in Asia-Pacific based on a market capitalisation of \$14.0 billion as at 31 December 2020. The portfolio comprises 22 properties in Singapore and two in Frankfurt, Germany.

The manager has stated that it is looking to drive organic growth by actively managing the combined portfolio of properties in the near term. To create long-term value for the trust, it will also seek acquisition opportunities in Singapore and in developed overseas markets. In his Q&A (page 28), the CEO added that, apart from Singapore properties, the manager sees Germany as an ideal target given the trust's two existing properties in Frankfurt.

- (i) **What are the other key gateway cities that the manager has evaluated and found to be attractive?**

The trust has the flexibility to acquire assets overseas of up to 20% of its portfolio. Even with the enlarged portfolio, the trust is a predominantly Singapore-focused REIT with 96% of assets in Singapore.

- (ii) **Does the manager see it as a priority to address the current geographical concentration risks of the portfolio? Has the pandemic affected the pace and appetite of the group's expansion, especially its overseas growth? When does the board expect the portfolio to hit the 10% and 20% mark for foreign assets?**
- (iii) **Is the REIT fully dependent on the sponsor in sourcing and evaluating (and subsequently managing) overseas assets?**
- (iv) The pandemic has led to a significant acceleration toward online shopping and work-from-home arrangements. **Has the board/manager evaluated the optimal mix of office, retail and integrated developments to guide its capital allocation as global economies recover from the pandemic?**
- (v) **In addition, would the manager be more pro-active in redevelopment projects and greenfield projects?**
- (vi) **What are the assets with redevelopment potential?** The managers have cited Funan and CapitaSpring as examples where the combined entity would be well placed to value-add in the redevelopment of assets into integrated developments.

Q2. Despite the pandemic, the portfolio achieved a stable occupancy rate of 96.4%. The average cost of debt decreased to 2.8% although the aggregate leverage has increased to 40.6% and the interest coverage decreased to 3.8 times.

Some of the key financial indicators can be found on page 15 of the annual report (reproduced below):

GROUP For the Financial Year	2016	2017	2018	2019	2020 ¹
KEY FINANCIAL INDICATORS					
Earnings Per Unit (cents)	13.25	18.55	18.96	18.90	8.36
Distribution Per Unit (cents)	11.13	11.16	11.50	11.97	8.69
Management Expense Ratio ² (%)	0.7	0.7	0.7	0.7	0.6
Unencumbered Assets as % of Total Assets (%)	100.0	100.0	89.8	100.0	95.8
Aggregate Leverage (%)	34.8	34.2	34.2	32.9	40.6
Net Debt / EBITDA (times)	6.3	6.3	6.8	6.4	N.M.
Interest Coverage (times)	4.8	4.9	5.2	4.7	3.8
Average Term to Maturity (years)	5.3	4.9	4.4	5.0	4.1
Average Cost of Debt (%)	3.2	3.2	3.1	3.2	2.8
N.M.: Not meaningful					

(Source: annual report)

The decrease in the cost of debt was mainly due to the lower cost of borrowings of CCT and RCS Trust.

- (i) **What is the manager's pro-active strategy to lower the cost of funds for CICT?**

The trust has an aggregate leverage of 40.6% and interest coverage of 3.8 times. Both metrics are at the least favourable levels in the 5-year period as shown in the table above.

- (ii) **While the REIT has stated that the aggregate leverage of 40.6% is manageable in the short-term, are there plans to carry out a rights issue to reduce the aggregate leverage?**
- (iii) **What is the available debt headroom to reach the aggregate leverage of 50%?**

Q3. The group holds units in CapitaLand China Trust (“CLCT”) (formerly known as CapitaLand Retail China Trust (“CRCT”)) that are recognised as equity investments at fair value. As at 31 December 2020, the fair value amounted to \$185.4 million. The fair value of the investment in CLCT represents 0.8% of the group’s total assets as at 31 December 2020.

In FY2019, the group’s investment in CLCT (then known as “CRCT”) was reclassified from “Associate” to “Equity instrument at fair value”. Due to the changes in the board composition of the manager of CRCT, the trust no longer meets the criteria to account for its investment in CRCT as an associate.

In addition, it is observed that the group’s stake in CLCT has decreased from 12.5% (2018) to 11% to 8.9% as at 30 December 2020. The trust first took a 20% stake in then-CRCT in 2006 as its first investment in overseas assets.

- (i) **Can the manager provide shareholders with greater clarity on the strategic value of its stake in CLCT? Has the manager considered a sale of the stake if the investment is now considered to be non-core in nature?**
- (ii) **Can the manager disclose the number of CLCT units that the trust holds? Did the trust participate in recent fund raising by CLCT/CRCT? If not, can the manager help unitholders understand the rationale?**
- (iii) **Given that the trust holds CLCT units, are unitholders paying two layers of fees, first to the manager of CLCT and then to the manager of CICT for the investment in CLCT?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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