

COMPANY RESULTS

Sentral REIT (SENTRAL MK)

4Q21: Results Within Expectations

Sentral REIT's results came in within our estimates, with full-year 2021 core earnings accounting for 98% of our full-year forecast. Operations remain fairly resilient and we believe SENTRAL will continue to report decent results moving forward, given that its tenants are mostly well-established MNCs. The stock offers an attractive dividend yield of at least 8% from 2022 onwards. Maintain BUY and target price of RM1.00.

4Q21 RESULTS

Year to 31 Dec	4Q21 (RMm)	3Q21 (RMm)	qoq % chg	yoy % chg	2021 (RMm)	yoy % chg
Gross revenue	40.6	40.8	(0.4)	(2.9)	160.6	(3.0)
Operating expenses	(10.7)	(8.0)	33.1	6.9	(37.0)	(2.5)
Net property income	29.9	32.7	(8.7)	(5.9)	123.7	(3.2)
Finance cost	(7.9)	(7.7)	2.5	(7.7)	(31.1)	(12.1)
Core Net Profit	19.0	22.1	(13.9)	(7.6)	80.7	(0.3)
EPU (sen)	1.8	2.1	(13.9)	(7.6)	7.5	(0.3)
DPU (sen)	4.0	0.0	n.m.	9.0	7.4	4.7
Margins	(%)	(%)	ppt chg	ppt chg	(%)	ppt chg
NPI	73.6	80.3	(6.6)	(2.4)	77.0	(0.1)
PAT	46.9	54.2	(7.3)	(2.4)	50.3	1.4

Source: Sentral REIT, UOB Kay Hian

RESULTS

- In line with expectations.** Sentral REIT (SENTRAL) reported 4Q21 revenue of RM40.6m (-0.4% qoq, -2.9% yoy) and core net profit of RM19.0m (-13.9% qoq, -7.9% yoy). 2021 core net profit of RM80.7m (-0.3% yoy) accounted for 98% and 99% of our and consensus full-year forecasts respectively. Core profit declined on a qoq basis due to higher expenses incurred; OPEX is usually high in 4Q and would come off in the next quarter.
- Declared 3.98 sen dividend for 2H21**, bringing full-year dividend to 7.4 sen (+4.7% yoy). This translates to a payout ratio of 94%.

STOCK IMPACT

- Business as usual.** 2021 core earnings remained steady (-0.3% yoy) with corresponding NPI margin of 77% (2020: 77.1%). SENTRAL was still providing rental assistance to some of their retail tenants (minimal in comparison to total revenue). We expect earnings to remain resilient as SENTRAL's tenants are mostly well-established MNCs and local businesses that are able to ride out the current situation.

KEY FINANCIALS

Year to 31 Dec (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	166	161	169	171	173
EBITDA	113	109	114	116	118
Operating profit	113	109	114	116	118
Net profit (rep./act.)	73	70	85	87	90
Net profit (adj.)	81	81	85	87	90
EPU (sen)	7.6	7.5	7.9	8.2	8.4
DPU (sen)	7.1	7.6	7.5	7.8	7.9
PE (x)	12.1	12.1	11.5	11.2	10.9
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU Yld (%)	7.7	8.3	8.2	8.5	8.7
Net margin (%)	43.8	43.7	50.3	51.0	51.7
Net debt/(cash) to equity (%)	57.4	54.0	52.6	52.1	51.5
Interest cover (x)	3.5	3.8	3.9	4.0	4.1
ROE (%)	5.5	5.3	6.4	6.6	6.7
Consensus DPU (sen)	n.a.	n.a.	7.1	7.4	n.a.
UOBKH/Consensus (x)	-	-	1.06	1.05	-

Source: Sentral REIT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.92
Target Price	RM1.00
Upside	+9.3%

COMPANY DESCRIPTION

Sentral REIT invests in office and retail buildings, business/technology parks, data processing centres and car park facilities primarily in Malaysia.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SENTRAL MK
Shares issued (m):	1,071.8
Market cap (RMm):	980.7
Market cap (US\$m):	234.1
3-mth avg daily t'over (US\$m):	0.1

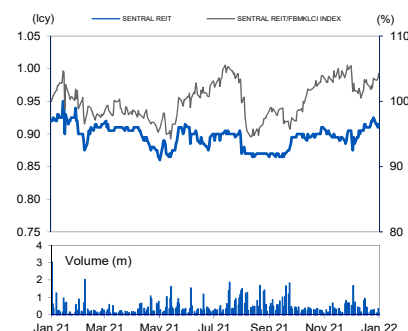
Price Performance (%)

52-week high/low			RM0.950/RM0.860	
1mth	3mth	6mth	1yr	YTD
1.1	2.2	1.7	(0.5)	1.1

Major Shareholders

	%
Malaysian Resources Corp	27.8
Employees Provident Fund	12.1
CapitaLand Ltd	10.9
FY22 NAV/Share (RM)	1.23
FY22 Net Debt/Share (RM)	0.65

PRICE CHART



Source: Bloomberg

ANALYST(S)

Yap Xiu Li
+603 2147 1915
xiuli@uobkayhian.com

- **Stable occupancy rate.** On a portfolio basis, occupancy rate remained at 90% (3Q21: 91%, 4Q20: 90%), well above the average of 78% in 2020 for office buildings in Kuala Lumpur. Total leases due for renewals for 2022 and 2023 account for 16% and 6% of total NLA respectively. SENTRAL successfully renewed 66% of leases due in 2021. We gathered that rental reversions were flat on average and that the non-renewals were mainly from Wisma Technip. SENTRAL's weighted average lease expiry (WALE) is 3.78 years.
- **Gearing at 37%.** SENTRAL's current gearing ratio remains healthy (on par with peers), which allows it to tap into debt and equity markets for future acquisitions. The 60% gearing limit by the Securities Commissions (until Dec 22) will give SENTRAL debt headroom of about RM502m to fund future acquisitions (RM284m debt headroom to reach 50% gearing).

EARNINGS REVISION/RISK

- No change to our earnings forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of RM1.00.** Our target price is based on a dividend discount model (required rate of return: 8.5%, terminal growth: 1.3%) and represents an implied dividend yield of 7.6% for 2022. Forward yield spread with 10-year Malaysia Government Securities (MGS) is close to +1SD, indicating that the high yield of 8-9% has priced in some expectations of rising MGS.
- SENTRAL continues to be appealing for its attractive and sustainable high dividend yields of 8-9% from 2022 onwards, backed by its property portfolio's stable occupancy.

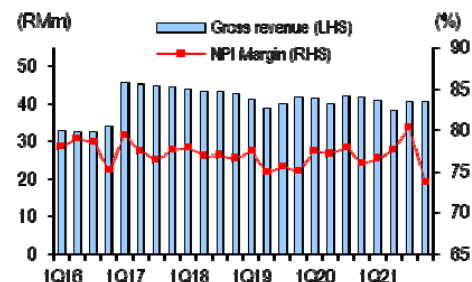
SHARE PRICE CATALYST

- High dividend yield to appeal more in the current low interest rate environment.
- Inorganic growth arising from acquisitions.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

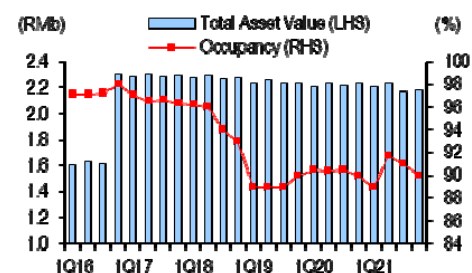
• Environmental
- Currently developing their Energy Management Policy, with the intent to roll out the policy to all buildings by 2022.
• Social
- Their Health and Safety Policy guides management on all health and safety issues, complying with the relevant laws and regulations such as the Occupational Safety and Health Act 1994 by the Department of Occupational Safety and Health.
• Governance
- Aligned to the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia. - Adopts a zero-tolerance approach against all forms of bribery and corruption and has instituted measures to guard against any unethical behaviour.

REVENUE AND NPI MARGIN



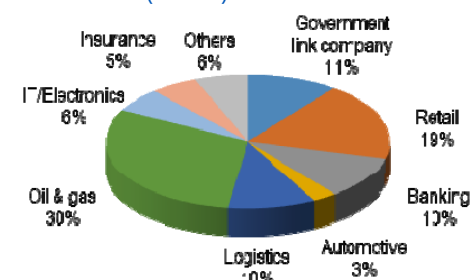
Source: SENTRAL, UOB Kay Hian

TOTAL ASSET VALUE AND OCCUPANCY RATE



Source: SENTRAL, UOB Kay Hian

TENANCY MIX (BY NLA)



Source: SENTRAL, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Net turnover	161	169	171	173
EBITDA	109	114	116	118
Deprec. & amort.	0	0	0	0
EBIT	109	114	116	118
Net interest income/(expense)	(28)	(29)	(29)	(29)
Pre-tax profit	69	85	87	90
Tax	1	0	0	0
Net profit	70	85	87	90
Net profit (adj.)	81	85	87	90

BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Fixed assets	2,081	2,083	2,085	2,087
Other LT assets	0	0	0	0
Cash/ST investment	94	115	123	133
Other current assets	6	6	6	6
Total assets	2,180	2,204	2,214	2,227
ST debt	130	135	138	143
Other current liabilities	32	47	49	52
LT debt	676	676	676	676
Other LT liabilities	25	25	25	25
Shareholders' equity	1,318	1,322	1,326	1,331
Total liabilities & equity	2,180	2,204	2,214	2,227

CASH FLOW

Year to 31 Dec (RMm)	2021	2022F	2023F	2024F
Operating	110	119	120	122
Pre-tax profit	69	85	87	90
Deprec. & amort.	0	0	0	0
Other operating cashflows	41	34	33	33
Investing	40	(2)	(2)	(2)
Capex (growth)	(1)	(2)	(2)	(2)
Proceeds from sale of assets	0	0	0	0
Others	41	0	0	0
Financing	(145)	(96)	(110)	(110)
Distribution to unitholders	(76)	(81)	(83)	(85)
Issue of shares	0	0	0	0
Proceeds from borrowings	258	175	120	120
Loan repayment	(27)	(170)	(117)	(115)
Others/interest paid	(301)	(20)	(30)	(30)
Net cash inflow (outflow)	5	21	8	10
Beginning cash & cash equivalent	85	94	115	123
Changes due to forex impact	3	0	0	0
Ending cash & cash equivalent	94	115	123	133

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	68.0	67.5	67.8	68.2
Pre-tax margin	42.8	50.3	51.0	51.7
Net margin	43.7	50.3	51.0	51.7
ROA	3.2	3.9	4.0	4.0
ROE	5.3	6.4	6.6	6.7
Growth				
Turnover	(3.0)	5.3	1.2	1.2
EBITDA	(3.7)	4.6	1.7	1.7
Pre-tax profit	(6.8)	23.7	2.7	2.5
Net profit	(3.2)	21.1	2.7	2.5
Net profit (adj.)	(0.3)	5.4	2.7	2.5
EPU	(0.3)	5.4	2.7	2.5
Leverage				
Debt to total capital	37.9	38.0	38.0	38.1
Debt to equity	61.1	61.3	61.3	61.5
Net debt/(cash) to equity	54.0	52.6	52.1	51.5
Interest cover (x)	3.8	3.9	4.0	4.1

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W