UPDATE | REIT ▪ SINGAPORE

SASSEUR REIT

(SASSR.SP / CRPU.SI)

DPU upgraded on lower funding costs

Alyssa Tee | +65 6202 1193 | alyssa.tee@kgi.com

Investment Highlights

- **Double-digit DPU growth supports forecast upgrades.** 1H26 DPU rose 10.2% YoY to 3.366 Scents, with income available for distribution before retention increasing 11.5% to S$47.3mn. We raise FY26F DPU by 10.6% to 6.565 Scents and FY27F DPU by 11.5% to 6.651 Scents, supported by stronger EMA rental income, lower finance costs and RMB appreciation against the SGD. Our FY26F forecast implies 2H26F DPU of 3.199 Scents, up 3.8% YoY, reflecting an expected moderation from the strong first half.
- **Record first-half sales, but momentum moderated through Q2.** 1H26 portfolio outlet sales grew 7.4% YoY to RMB2,344.8mn, the highest first-half result since listing. Q1 sales rose 11.4% following successful Chinese New Year campaigns, while Q2 growth moderated to 2.1% as Hefei and Kunming underwent AEI works and tenant-mix repositioning. Shopper traffic rose 20.7% to 9.8mn against sales growth of 7.4%, implying that sales per shopper visit declined by approximately 11%, reflecting some combination of weaker conversion and lower transaction values.
- **Cost of debt at a record low of 3.7%.** The March 2026 refinancing of RMB901.9mn of onshore facilities cut the weighted average cost of debt to 3.7% p.a. from 4.4% at end-2025 and extended the relevant maturity from 2028 to 2031. Finance costs fell 29.8% YoY to S$8.3mn. Aggregate leverage stands at 25.6% with ICR at 5.6x and 100% of borrowings denominated in RMB.
- **EMA renewal process in progress.** Management confirmed it is undertaking a comprehensive review ahead of the EMA framework's March 2028 expiry, and that proposed renewal terms will be presented to unitholders for approval prior to expiry.

Valuation & Action.

We maintain our **OUTPERFORM** rating on Sasseur REIT with a raised target price of **S$0.88** (previously S$0.87), based on a DDM valuation with an 8.7% cost of equity and 1.5% terminal growth rate. Our raised cost of equity reflects the uncertainty surrounding the EMA renewal and the lower sales productivity implied by footfall growing materially faster than outlet sales.

Risks.

Key downside risks include (i) less-favourable EMA renewal terms; (ii) RMB depreciation against SGD; (iii) slower-than-expected household spending recovery; and (iv) competition arising from online retail and new outlet supply.

OUTPERFORM

Last close (S$)	0.69
12M Target Price (S$)	0.88
Previous TP (S$)	0.87
Previous Recommendation	OP
Upside / (Downside) (%)	27.97
TRADING DATA	
Market Cap (S$mn)	872.65
Issued Shares (mn)	1,264.71
3M Avg Daily Vol (mn)	1.73
3M Avg Daily Val (S$mn)	1.18
Free Float (%)	87.73
MAJOR SHAREHOLDERS (%)	
China Merchants Bank	50.61
KGI Securities Singa	6.96
CGS-CIMB Securities/	3.16

Financials & Key Operating Statistics

YE Dec (S$'mn)	2024	2025	2026F	2027F	2028F
EMA Rental	123.7	121.0	130.6	133.1	136.1
PAT	56.1	63.3	80.7	82.5	84.7
DPU (S$ cents)	6.08	6.14	6.57	6.65	6.77
Div Yield (%)	8.9%	9.0%	9.5%	9.6%	9.8%
Net Profit Margin (%)	45.3%	52.3%	61.8%	62.0%	62.2%
Net Gearing (%)	24.5%	25.1%	24.4%	24.2%	24.1%
P/E (x)	15.1x	13.5x	10.8x	10.6x	10.4x
P/B (x)	0.8x	0.9x	0.8x	0.8x	0.8x

Source: Company data, KGI Research estimates

1H26 rental income	1H25	1H26	YoY Variance
Outlet sales (RMB 'mn)	**2,182.4**	**2,344.8**	**7.4%**
EMA rental income (RMB 'mn)	**336.2**	**350.7**	**4.3%**
Fixed component (RMB 'mn)	237.4	244.5	3.0%
Variable component (RMB 'mn)	98.8	106.2	7.4%
EMA rental income (S$ 'mn)	**61.3**	**65.4**	**6.8%**
Distributable income to Unitholders (S$ 'mn)	42.4	47.3	11.5%
Amount retained (S$ 'mn)	(4.1)	(4.7)	16.8%
DPU (S cents)	**3.1**	**3.4**	**10.2%**

Source: Company data

Business Updates

Q2 sales moderate; Hefei execution remains a key swing factor

The two Chongqing assets remained resilient in 2Q26, with Liangjiang and Bishan sales increasing 3.7% and 3.5% YoY, respectively. Hefei sales grew 1.4%, while occupancy fell to 93.7% as tenant reconfiguration temporarily vacated space. Kunming sales declined 4.1% amid ongoing AEI works and tenant-mix repositioning. At Hefei, common area works for the former cinema space are approximately 90% complete, with 11 of 13 units pre-committed and progressive openings expected from August 2026. Given Hefei's 33% share of portfolio valuation and 5.5% variable-component rate, the pace of tenant openings and subsequent sales recovery will be an important driver of variable income in 2H26.

Figure 1: Portfolio sales overview

Outlet sales (RMB 'mn)	2Q25	2Q26	Variance	1H25	1H26	Variance
Chongqing Liangjiang	523.1	542.2	3.7%	1,182.0	1,274.4	7.8%
Chongqing Bishan	79.2	82.0	3.5%	185.7	206.0	10.9%
Hefei	207.2	210.1	1.4%	491.3	535.5	9.0%
Kunming	125.2	120.1	-4.1%	323.4	328.9	1.7%
Total Portfolio	**934.7**	**954.4**	**2.1%**	**2,182.4**	**2,344.8**	**7.4%**

Source: Company

Funding profile strengthened following refinancing

The RMB901.9mn onshore refinancing completed in March 2026 extended the relevant maturity from 2028 to 2031 and helped lower the weighted average cost of debt to 3.7%. Together with the Sponsor loans maturing in 2030 and the green loan maturing in 2035, this increased average debt maturity to 4.8 years and left the REIT with no maturities before 2030. Aggregate leverage remained low at 25.6%. Gross borrowings increased to S$452.4mn from S$436.9mn, primarily reflecting RMB appreciation. With the applicable LPRs unchanged, we assume no further reduction in borrowing rates beyond the full-year benefit of the completed refinancing.

Higher cash fee ratio and retention partly offset earnings growth

The Manager elected to receive 40% of its base fee in cash in 1H26, up from 30% in FY25, while retention increased to 10.0% of income available for distribution, from 9.5% in 1H25 and 9.9% in FY25. Both changes reduced cash available to Unitholders, although 1H26 DPU still increased 10.2% YoY. We assume a 40% cash-settled fee ratio and 10% retention throughout the forecast period, compared with our previous 8.5% retention assumption.

Outlook

China's growth momentum softened further in July

China's consumption backdrop remained soft entering 2H26. According to the National Bureau of Statistics of China, July retail-sales growth slowed to 0.6% YoY, while retail sales increased 1.2% in the first seven months of 2026. Against this backdrop, and with Sasseur's 2Q26 sales growth moderating to 2.1% and sales per shopper visit declining in 1H26, we retain conservative 2H26 sales assumptions. We treat the government's consumption initiatives as medium-term support and do not incorporate a material near-term benefit in our FY26-27 forecasts.

Valuation

We maintain our OUTPERFORM rating and raise our target price to S$0.88 from S$0.87, based on a Dividend Discount Model using revised DPU forecasts of 6.565 Scents for FY26F and 6.651 Scents for FY27F, an 8.7% cost of equity and a 1.5% terminal growth rate. The higher cost of equity, from 8.2% previously, reflects uncertainty surrounding the EMA renewal and the weaker sales productivity implied by footfall growing materially faster than outlet sales.

The EMA renewal remains the principal medium-term valuation uncertainty. The framework expires in March 2028, and the Manager expects the proposed renewal terms to be presented to Unitholders for approval before expiry. We continue to assume renewal on broadly similar terms, but changes to the fixed escalation, variable-component structure or allocation of property operating expenses could affect DPU visibility. In addition, the approximately 11% decline in sales per shopper visit in 1H26 supports conservative sales assumptions despite the 7.4% headline increase in portfolio sales.

At the current price of S$0.69, our target price of S$0.88 implies 28.0% upside excluding distributions, a FY26F distribution yield of 9.5% and an estimated total return of approximately 37.5% including FY26F DPU.

Figure 2: DDM valuation

DDM VALUATION	2020A	2021A	2022A	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
DPU Full Year (S$ cents)	6.545	7.104	6.550	6.249	6.082	6.138	6.565	6.651	6.768	6.950	7.140
YoY Growth (%)		8.5%	(7.8%)	(4.6%)	(2.7%)	0.9%	7.0%	1.3%	1.7%	2.7%	2.7%
Dividend Yield (%)	8.0%	8.4%	8.7%	9.1%	8.9%	9.0%	9.5%	9.6%	9.8%	10.1%	10.3%
Dividend per share (S$ cents) - Normalised	6.565										
Cost of Equity (%)	8.7%										
Terminal Growth Rate (%)	1.5%										
Target Price (S$)	**0.88**										
Current Price (S$)	0.69										
Upside/(Downside), incl div	**37.5%**										

Source: KGI Research

Financial Summary

INCOME STATEMENT (S$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
EMA rental income	123,726	120,978	130,593	133,128	136,101
REIT manager's fees	(8,330)	(8,815)	(9,533)	(9,718)	(9,935)
Trustee's fees	(319)	(312)	(392)	(399)	(408)
Other trust expenses	(851)	(1,362)	(1,110)	(1,132)	(1,157)
Finance income	253	138	178	183	186
Finance costs	(24,710)	(23,588)	(16,293)	(16,238)	(16,183)
Exchange differences	(2,272)	(221)	-	-	-
Change in fair value of financial derivatives	(113)	(523)	-	-	-
Total returns before fair value adjustments	**87,384**	**86,295**	**103,443**	**105,823**	**108,603**
Change in fair value of investment properties	(14,164)	(7,847)	-	-	-
Total return before tax	**73,220**	**78,448**	**103,443**	**105,823**	**108,603**
Tax expense	(17,162)	(15,192)	(22,757)	(23,281)	(23,893)
Total return after tax	**56,058**	**63,256**	**80,685**	**82,542**	**84,710**
Distribution to unitholders	**75,921**	**77,219**	**83,165**	**84,936**	**87,005**
DPU (S$ cents)	6.08	6.14	6.57	6.65	6.77

BALANCE SHEET (S$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and short-term deposits	174,345	182,135	182,750	186,188	189,855
Other current assets	20,047	22,183	22,183	22,183	22,183
Current assets	**194,392**	**204,318**	**204,933**	**208,371**	**212,038**
Investment properties	1,582,290	1,536,271	1,595,353	1,595,353	1,595,353
Intangibles, others	493	359	359	359	359
Non-current assets	**1,582,783**	**1,536,630**	**1,595,712**	**1,595,712**	**1,595,712**
Total assets	**1,777,175**	**1,740,948**	**1,800,645**	**1,804,083**	**1,807,750**
Trade and other payables	141,194	139,319	139,319	139,319	139,319
Short-term borrowings	5,497	7,003	1,481	1,481	9,444
Other current liabilities	42,852	40,353	40,353	40,353	40,353
Current liabilities	**189,543**	**186,675**	**181,153**	**181,153**	**189,116**
Long-term borrowings	430,175	429,536	437,384	435,903	426,458
Other non-current liabilities	119,476	119,527	119,527	119,527	119,527
Non-current liabilities	**549,651**	**549,063**	**556,911**	**555,430**	**545,985**
Total liabilities	**739,194**	**735,738**	**738,065**	**736,583**	**735,102**
Unitholders' funds	1,037,981	1,005,210	1,062,581	1,067,500	1,072,648
Total equity	**1,037,981**	**1,005,210**	**1,062,581**	**1,067,500**	**1,072,648**

CASH FLOW STATEMENT (S$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before tax	73,220	78,448	103,443	105,823	108,603
Changes in working capital & non-cash adj	51,822	38,276	23,835	23,886	23,958
Tax paid	(9,114)	(10,219)	(22,580)	(23,098)	(23,707)
Operating cash flow	**115,928**	**106,505**	**104,698**	**106,611**	**108,855**
Capex	(1,609)	(1,094)	(2,000)	(2,000)	(2,000)
Investing cash flow	**(1,609)**	**(1,094)**	**(2,000)**	**(2,000)**	**(2,000)**
Borrowings raised/(repaid)	(5,444)	1,044	-	-	-
Dividends paid	(56,859)	(74,991)	(81,400)	(84,936)	(87,005)
Other financing cashflow	(20,026)	(14,309)	(16,293)	(16,238)	(16,183)
Financing cash flow	**(82,329)**	**(88,256)**	**(97,693)**	**(101,174)**	**(103,188)**
FX Effects, Others	1,075	(3,672)	-	-	-
Net change in cash	**31,990**	**17,155**	**5,005**	**3,437**	**3,667**
Beginning cash	**131,197**	**164,262**	**177,745**	**182,750**	**186,188**
Ending cash	**164,262**	**177,745**	**182,750**	**186,188**	**189,855**

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
EMA rental growth (%)	(2.4%)	(2.2%)	7.9%	1.9%	2.2%
Net profit margin (%)	45.3%	52.3%	61.8%	62.0%	62.2%
ROE (%)	5.4%	6.3%	7.6%	7.7%	7.9%
ROA (%)	4.0%	4.1%	4.5%	4.6%	4.7%
Gearing ratio (x)	0.2x	0.3x	0.2x	0.2x	0.2x
P/E (x)	15.1x	13.5x	10.8x	10.6x	10.4x
P/NAV (x)	0.8x	0.9x	0.8x	0.8x	0.8x
Dividend yield (%)	8.9%	9.0%	9.5%	9.6%	9.8%

Source: Company, KGI Research estimates

KGI's Ratings

The following table summarises the ratings convention used by KGI Securities in this and other research reports.

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

Disclaimer

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. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities 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 KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, 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) KGI Securities, 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; and (3) the officers, employees and representatives of KGI Securities 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".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities 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 KGI Securities 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 KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.