Lendlease Global Commercial REIT (LREIT SP)

2HFY26: Balance Sheet Strengthened With Reduced Reliance On Perpetual Securities

BUY (Maintained)	
Share Price	S$0.585
Target Price	S$0.790
Upside	+35.0%
Previous TP	S$0.780

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Highlights

- LREIT maintained a healthy rent reversion of 11.7% in FY26 (313@Somerset: mid-single digit, Jem: high single digit and PLQ Mall: high teens). Growth in tenant sales was stronger at 4.0% yoy in FY26 (9MFY26: 2.5% yoy).
- LREIT has further reduced its reliance on perpetual securities after issuing only S$120m of new perpetual securities to partially refinance S$200m due in Jun 26. Interest coverage ratio improved 0.5x yoy to 2.1x.
- LREIT provides an attractive FY27 DPU yield of 6.3% (CICT: 4.7%, FCT: 5.6%, SGREIT: 6.8%). Maintain BUY. Target price: S$0.79.

2HFY26 Results

Year to 30 Jun (S$m)	2HFY26	yoy % Chg	Remarks
Gross Revenue	110.0	+6.8	Acquisition of 70% of PLQ Mall was completed on 27 Nov 25 and the remaining
Net Property Income (NPI)	78.7	+6.6	30% on 26 Mar 26. Divestment of Jem Office was completed on 12 Nov 25.
Finance Costs	(27.0)	-15.4	Lower interest rates and lower gearing.
Distributable Income	61.7	+40.0	
DPU (S cents)	1.85	+3.0	Completed 119-for-1,000 preferential offering on 18 Mar 26.

Source: LREIT, UOB Kay Hian

Analysis

- Lendlease Global Commercial REIT (LREIT) reported DPU of 1.85 S cents for 2HFY26 (+3.0% yoy), supported by improved performance from its retail malls in Singapore. The results were in line with our expectations.
- **PLQ Mall leading the pack.** Retail committed occupancy remained high at 98.5% (313@Somerset: mid-single digit, Jem: high single digit and PLQ Mall: high teens). Retail rental reversion improved to 11.7% in FY26 (313@Somerset: 98%, Jem: 100% and PLQ Mall: 96.3%). On a like-for-like basis excluding PLQ Mall, tenant sales increased 4.0% in FY26, driven by F&B, jewelleries & watches and sports. New tenants such as CHAGEE, Pawa Bakery and YIMANFEN were introduced across the portfolio. Tenant retention was 70.8% due mainly to the replacement of Cathay Cineplexes by Shaw Theatres. Excluding Cathay, retention would have been 79.6%.

Key Financials

Year to 30 Jun (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	207	212	248	253	258
EBITDA	127	130	157	161	164
Operating profit	127	130	157	161	164
Net profit (rep./act.)	52	107	91	93	96
Net profit (adj.)	47	82	91	93	96
EPU (S$ cent)	1.9	2.6	2.7	2.7	2.8
DPU (S$ cent)	3.6	3.7	3.7	3.7	3.7
PE (x)	30.5	22.4	21.6	21.3	20.9
P/B (x)	0.8	0.8	0.9	0.9	0.9
DPU yld (%)	6.2	6.3	6.3	6.3	6.4
Net margin (%)	25.4	50.5	36.8	36.8	37.0
Net debt/(cash) to equity (%)	74.5	62.5	65.4	67.7	70.1
Interest cover (x)	2.0	2.7	2.9	2.8	2.8
ROE (%)	2.4	4.5	3.6	3.7	3.8
Consensus DPU (S$ cent)	-	-	3.8	3.9	n.a.
UOBKH/Consensus (x)	-	-	0.96	0.95	n.a.

Source: Lendlease Global Commercial REIT, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Real Estate
Bloomberg ticker	LREIT SP
Shares issued (m)	3,327.0
Market cap (S$m)	1,946.3
Market cap (US$m)	1,515.8
3-mth avg daily t'over (US$m)	6.4

Price Performance (%)

52-week high/low: S$0.66/S$0.53

1mth	3mth	6mth	1yr	YTD
1.7	2.6	(6.8)	3.9	(5.3)

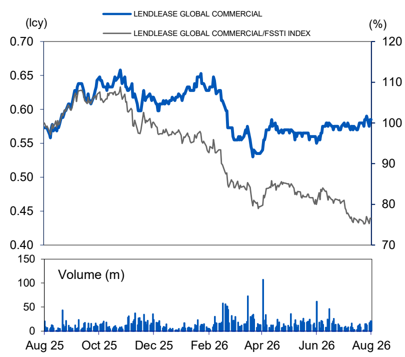
Major Shareholders

	%
Lendlease Corp Ltd	20.9

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.68
FY26 Net Debt/Share (S$)	0.49

Price Chart



Source: Bloomberg

Company Description

LREIT invests in stabilised income-producing properties located globally, which are used for retail and/or office purposes. Its portfolio comprises three retail malls 313@Somerset at Orchard Road, Jem at Jurong East and PLQ Mall at Peya Lebar in Singapore. It also owns Sky Complex with three grade A office buildings in Milan, Italy.

- **Portfolio valuation stood at S$4.2b** as of Jun 26, with Singapore assets accounting for 91% of portfolio valuation. Valuation of Sky Complex in Milan was reduced by 4.3% due to a higher discount rate and depreciation of the euro against the Singapore dollar. SNAV per share was S$0.70.
- **Capital management improved with deleveraging initiatives.** Aggregate leverage improved 3.7ppt yoy to 38.9% as of Jun 26 following the Jem office divestment. Average cost of debt declined 14bp qoq to 2.75%. Management expects cost of debt to hover at around the same level for FY27. The interest coverage ratio improved to 2.1x from 1.6x a year ago due to lower borrowing costs and reduced outstanding balance for perpetual securities to S$240m in Jun 25, compared with S$320m previously. Around 68% of borrowings remain hedged to fixed interest rates.
- **Enhancing PLQ Mall by optimising tenant mix.** The reconfiguration of 16,000sf of retail space at Levels 1 & 2 of PLQ Mall is underway with completion targeted by end-26. Two anchor tenants would be right-sized to accommodate several smaller F&B and specialty fashion tenants. LREIT has already received positive leasing interest for the AEI space. The reconfiguration would provide an uplift to rental rates in FY27. The enhancement costs S$10m and is scheduled to complete by Dec 26.
- **Music hall draws more shopper traffic to 313@Somerset.** Live Nation, the world's largest live entertainment company, has commenced construction of a state-of-the-art music hall with a seating capacity of 3,000 at Grange Road Car Park. The music hall also has a smaller 350-capacity artistes' lane that serves as an incubator for home grown artistes. Discovery Walk adjacent to 313@Somerset is being refreshed and integrated with the new music hall. The initiative would enhance the tenant mix, including a variety of F&B outlets and kiosks, improve shopper engagement and drive future rental growth. The music hall is on track to be completed by Dec 26.
- **Potential divestment of Sky Complex Building 3.** Occupancy at Building 3 of Sky Complex stabilised at 51% as of Jun 26. LREIT is concurrently exploring re-leasing and divesting Sky Complex Building 3, which is smaller with NLA of 17,778sqm (Building 1 & 2: 61,595sqm) and hence more liquid. A successful divestment would make LREIT more Singapore-centric.

Valuation/Recommendation

- **Singapore-focused strategy strengthened portfolio quality.** Singapore retail assets currently account for 91% of portfolio value after the acquisition of full ownership in PLQ Mall and divestment of Jem office. LREIT has a portfolio of quality assets with precinct dominance, such as 313@Somerset, Jem and PLQ Mall. Future growth is supported by sponsor Lendlease's extensive Singapore development pipeline exceeding S$5b, which includes PLQ Workplace, Comcentre and Parkway Parade. Management intends to continue evaluating strategic acquisition opportunities in Singapore, while pursuing lease-up and potential divestment of Building 3 in Milan, Italy.
- **Valuation is attractive based on DPU yield.** LREIT provides an attractive FY27 DPU yield of 6.3% (CICT: 4.7%, FCT: 5.6%, SGREIT: 6.8%).
- **Maintain BUY.** Our target price of S$0.79 is based on DDM (cost of equity: 6.75%, terminal growth: 2.2%).

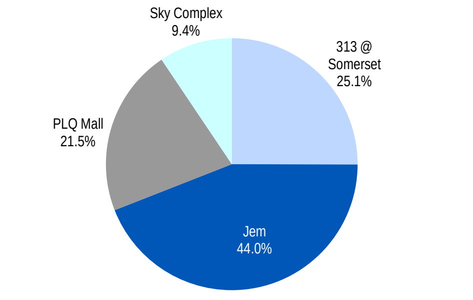
Earnings Revision/Risk

- We maintain our existing FY27 and FY28 DPU forecasts.

Share Price Catalyst

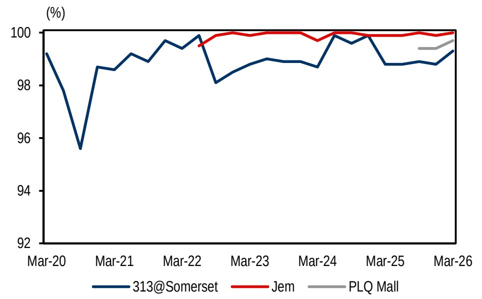
- Jem benefits as Jurong Gateway evolves to become Singapore's second CBD. PLQ Mall benefits from the growth of the Paya Lebar sub-regional centre. 313@Somerset benefits from increased shopper traffic due to the new music hall at Grange Road Car Park.

Portfolio Valuation By Property



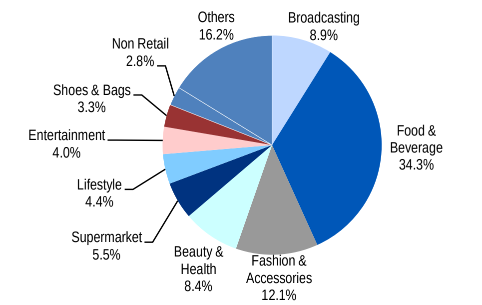
Source: LREIT

Occupancy For JEM And 313@Somerset



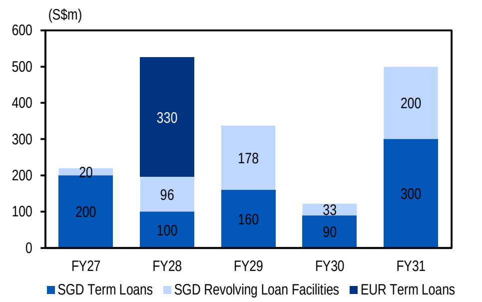
Source: LREIT

Gross Rental Income By Trade Sector



Source: LREIT

DEBT Maturity Profile



Source: LREIT

Profit & Loss

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Net turnover	211.9	247.5	253.1	258.4
EBITDA	129.7	156.7	160.6	164.3
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	129.7	156.7	160.6	164.3
Total other non-operating income	24.8	0.0	0.0	0.0
Associate contributions	16.1	0.0	0.0	0.0
Net interest income/(expense)	(48.5)	(54.9)	(56.6)	(57.8)
Pre-tax profit	122.2	101.8	104.0	106.4
Tax	0.0	0.0	0.0	0.0
Minorities	(0.8)	0.0	0.0	0.0
Perpetual Securities	(14.5)	(10.8)	(10.8)	(10.8)
Net profit	107.0	91.0	93.2	95.6
Net profit (adj.)	82.1	91.0	93.2	95.6

Balance Sheet

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Fixed assets	4,215.6	4,220.6	4,225.6	4,230.6
Other LT assets	92.5	91.5	91.5	91.5
Cash/ST investment	68.6	66.9	65.9	69.6
Other current assets	10.4	14.3	14.4	14.6
Total assets	4,387.2	4,393.3	4,397.4	4,406.2
ST debt	218.0	218.0	218.0	218.0
Other current liabilities	85.6	71.9	73.4	74.8
LT debt	1,463.0	1,515.0	1,550.0	1,590.0
Other LT liabilities	42.4	42.4	42.4	42.4
Shareholders' equity	2,578.2	2,546.0	2,513.6	2,481.0
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	4,387.2	4,393.3	4,397.4	4,406.2

Cash Flow

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Operating	182.4	203.8	227.3	232.2
Pre-tax profit	107.0	91.0	93.2	95.6
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	17.4	(17.6)	1.4	1.3
Non-cash items	14.1	39.2	39.4	39.6
Other operating cashflows	44.0	91.3	93.4	95.7
Investing	(428.0)	(5.0)	(5.0)	(5.0)
Capex (growth)	(885.0)	0.0	0.0	0.0
Capex (maintenance)	(5.0)	(5.0)	(5.0)	(5.0)
Proceeds from sale of assets	462.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0
Financing	272.6	(200.6)	(223.3)	(223.5)
Distribution to unitholders	(110.3)	(123.2)	(125.6)	(128.2)
Issue of shares	466.6	0.0	0.0	0.0
Proceeds from borrowings	40.5	52.0	35.0	40.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(124.1)	(129.4)	(132.8)	(135.3)
Net cash inflow (outflow)	27.1	(1.8)	(1.0)	3.7
Beginning cash & cash equivalent	41.6	68.6	66.9	65.9
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	68.6	66.9	65.9	69.6

Key Metrics

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	61.2	63.3	63.5	63.6
Pre-tax margin	57.7	41.1	41.1	41.2
Net margin	50.5	36.8	36.8	37.0
ROA	2.6	2.1	2.1	2.2
ROE	4.5	3.6	3.7	3.8
Growth				
Turnover	2.6	16.8	2.3	2.1
EBITDA	1.8	20.8	2.5	2.3
Pre-tax profit	72.7	(16.7)	2.2	2.3
Net profit	104.1	(14.9)	2.4	2.6
Net profit (adj.)	76.1	10.8	2.4	2.6
EPU	36.2	3.8	1.5	1.6
Leverage				
Debt to total capital	39.5	40.5	41.3	42.2
Debt to equity	65.2	68.1	70.3	72.9
Net debt/(cash) to equity	62.5	65.4	67.7	70.1
Interest cover (x)	2.7	2.9	2.8	2.8

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