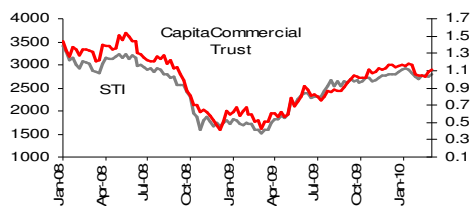


9 March 2010

Maintain

HOLD

Previous Rating: HOLD

Current Price: S\$1.13
Fair Value: S\$1.16


Reuters Code	CACT.SI
ISIN Code	C61U
Bloomberg Code	CCTSP
Issued Capital (m)	2,816
Mkt Cap (S\$/US\$m)	3,183 / 2,274
Major Shareholders	
CapitaLand	31.4%
Free Float (%)	57.0%
Daily Vol 3-mth ('000)	7,650
52 Wk Range	0.440 - 1.230

(\$ m)	FY08	FY09	FY10F	FY11F
Revenue	335.3	403.3	390.7	389.8
NPI	233.5	300.2	292.2	291.5
Distributions	153.0	198.5	187.4	186.7
DPU yield (%)	6.6	6.2	5.9	5.9
P/NAV (x)	0.6	1.2	0.8	0.8

Foo Sze Ming
 (65) 6531 9810
 e-mail: FooSzeMing@ocbc-research.com

CapitaCommercial Trust

Working towards refinancing

Tapping on the MTN market. Recently, CapitaCommercial Trust (CCT) issued S\$70m of fixed rate notes under its S\$1bn Multicurrency Medium Term Note (MTN) Programme and proceeds will be used for repayment of borrowings and working capital purposes. At the same time, CCT also announced that it had repurchased an aggregate principal amount of S\$15m of its convertible bonds (CB) that mature in 2013. This is part of the effort to prepare for its refinancing requirement in 2011 as the CB holders have a put option exercisable in May 2011 that would require CCT to redeem the CB. The CB is currently deep out-of-the-money (conversion price of S\$1.8349) and the possibility of share price reaching the conversion price by May 2011 seems low. We expect CB holders to exercise the put option next year, which would bring forward the maturity of the CB.

Higher average cost of debt expected. In comparison to other recent MTN issues, interest rate secured by CCT is on the high side among the MTNs with 5-year maturity (3.288%-3.64%). This came as no surprise, given the weak office sector outlook and thus the higher risk premium compensating the MTN holders. Despite the low interest rate environment, we expect average cost of debt to trend higher in 2010 as the cheaper MTN issued prior to the crisis matures this year and is refinanced by new MTNs with higher cost of debt.

Pro-active efforts towards refinancing. While recent capital management efforts may not have significant impact, we are still encouraged by the pro-active efforts that the management took to prepare for refinancing next year. As much as S\$1,010m of borrowings could be due for refinancing in 2010 (CB holders exercise put option) but unencumbered assets of S\$2.6bn (after sale of Robinson Point) should provide sufficient collaterals to secure new loans for refinancing. A reconstitution of CCT's asset portfolio may also have the positive impact of lowering its risk profile and thus, give CCT better leverage to negotiate for more attractive cost of debt going forward.

Looking for a better entry level. We maintain our estimates and keep our RNAV and fair value unchanged at S\$1.16. With a projected total return of 8.4%, we maintain our **HOLD** rating on CCT. Potential share price catalyst could come from the outcome of the review for Starhub Centre and acquisitions. S\$1.05-S\$1.10 would be good entry level for accumulation, which would translate to a potential total return of 11.3%-16.6%.

Exhibit 1: Past MTN issues by CCT

Issue date	Principal (\$m)	Interest rate (%)	Payment	Tenure (yr)	Maturity	Use
18-Feb-10	70	3.64	Semi-annual	5	18-Feb-15	Refinancing, Working capital
10-Dec-09	50	3.5	Semi-annual	3.5	10-Jun-13	Refinancing, Working capital
20-Aug-08	85	3.85	Semi-annual	2	20-Aug-10	Wilkie Edge, Working capital
14-Mar-08	150	3.05	Semi-annual	2	17-Mar-10	Refinancing, Wilkie Edge, Working capital

Source: Company, OIR

Exhibit 2: Recent MTN issues by S-REITs

Issue date	Issuer	Principal (\$m)	Interest rate (%)	Payment	Tenure (yr)	Maturity	Use
18-Feb-10	CapitaCommercial Trust	70	3.64	Semi-annual	5	18-Feb-15	Refinancing, Working capital
12-Feb-10	Frasers Centrepoint Trust	55	2.83	Semi-annual	3	12-Feb-13	Refinancing
12-Feb-10	Frasers Centrepoint Trust	25	3.5	Semi-annual	5	12-Feb-15	Refinancing
28-Jan-10	CapitaMall Trust	100	3.288	Semi-annual	5	28-Jan-15	Refinancing, AEI
10-Dec-09	CapitaCommercial Trust	50	3.5	Semi-annual	3.5	10-Jun-13	Refinancing, Working capital

Source: Companies, OIR

Exhibit 3: RNAV Table

	in S\$m
Valuation of investment properties	5,019.0
Book value of investment properties	5,702.0
Surplus from investment properties	-683.0
Surplus/(Deficit) from Quill Capita Trust stake	-14.6
Book value (as at end of FY09)	3,956.4
FY10 RNAV	3,258.8
Share base (m)	2,813.9
RNAV per share (S\$)	1.16
Premium/Discount to RNAV	0.0%
Fair Value (S\$)	\$1.16

Source: OIR estimate

CCT's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (\$m)	FY08	FY09	FY10F	FY11F	As at 31 Dec (\$m)	FY08	FY09	FY10F	FY11F
Gross revenue	335.3	403.3	390.7	389.8	Investment properties	6710.6	5519.5	5549.5	5579.5
Total property expenses	-101.8	-103.1	-98.5	-98.3	Investment in associate	63.9	62.6	63.9	65.2
Net property income	233.5	300.2	292.2	291.5	Cash	66.7	312.5	444.0	395.6
Borrowing costs	-84.1	-93.2	-92.2	-92.2	Total current assets	85.4	321.9	453.2	404.7
Manager's management fees	-16.3	-19.8	-19.5	-19.5	Total assets	6871.4	6100.0	6080.0	6062.8
Net income (b/f assoc and reval)	124.0	191.7	174.6	174.0	Current liabilities ex debt	123.7	90.9	88.1	87.9
Share of profit of associate	3.9	4.0	4.1	4.2	Debt	2210.9	1640.6	1640.6	1640.6
Revaluation of invt ppty	203.8	-1034.9	0.0	0.0	Total liabilities	2716.5	2143.6	2142.2	2143.5
Total return for the period	331.7	-839.2	178.8	178.2	Unitholders' funds	4154.9	3956.4	3937.8	3919.3
Income available for distribution	153.0	198.5	187.4	186.7	Total equity and liabilities	6871.4	6100.0	6080.0	6062.8

CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Operating income before working cap change	213.5	292.6	279.1	278.5	DPU per share (S-cents)	11.0	7.1	6.7	6.6
Change in working capital	32.5	3.9	-2.5	-0.2	NAV per share (S-cents)	297.4	140.6	139.9	139.3
Cash generated from operations	246.0	296.5	276.6	278.3	PER (x)	4.7	NA	17.8	17.8
Tax paid	0.0	-0.4	0.0	0.0	P/NAV (x)	0.6	1.2	0.8	0.8
Cashflow from operating activities	246.0	296.1	276.6	278.3	NPI margin (%)	69.6	74.4	74.8	74.8
Cashflow from investing activities	-1328.7	-25.4	172.5	-30.8	Net income margin (%)	98.9	-208.1	45.8	45.7
Cashflow from financing activities	1113.9	-24.9	-317.5	-296.0	Gearing (%)	37.3	32.9	33.0	33.1
Change in cash	31.2	245.8	131.6	-48.5	DPU yield (%)	6.6	6.2	5.9	5.9
Cash at beginning of period	35.5	66.7	312.5	444.0	ROE (%)	8.0	-21.2	4.5	4.5
Cash at end of period	66.7	312.5	444.0	395.6	ROA (%)	4.8	-13.8	2.9	2.9

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

RATINGS AND RECOMMENDATIONS:

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

DISCLAIMER FOR RESEARCH REPORT

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. OCBC Investment Research Pte Ltd, OCBC Securities Pte Ltd and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally.

Privileged/Confidential information may be contained in this message. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you may not copy or deliver this message to anyone. Opinions, conclusions and other information in this message that do not relate to the official business of my company shall not be understood as neither given nor endorsed by it.

Co.Reg.no.: 198301152E

For OCBC Investment Research Pte Ltd



Carmen Lee
Head of Research

Published by OCBC Investment Research Pte Ltd