Barclay Pearce Capital | Research





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Cromwell Property Group

Real Estate

BUY

CMW A\$0.86 TARGET PRICE A\$1.01

Cromwell Property Group is a real estate investment trust, which engages in the property investment and funds management business. It operates through the following segments: Property Investment; Asset Services; Fund Management-Internal; Fund Management-External; and Fund Management-Wholesale.

Company Data

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Number of shares	2,613.5M
Market Capitalisation	\$2,234.6M
Free float (%)	81.3
12-month high/low	\$1.335/\$0.715
Average Daily Turnover (\$m)	6.17
% S&P/ASX200	0.14%
DDM Ranking	156
% All Ordinaries	0.12%
GICS Industry Group Source: FactSet, Barclay Pearce Capital	Real Estate

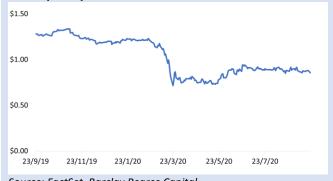
arnings Summary (ALID)

Earnings Summary (AUD)					
Year end Adjusted EPS - c	2020A	2021F	2022F	2023F	
Revenue (\$M)	494.7	304.7	304.8	316.6	
EBITDA (\$M)	285.1	250.6	251.5	262.7	
Reported NPAT (\$M)	181.1	186.2	203.9	212.6	
Adjusted NPAT (\$M)	221.2	184.4	189.4	194.9	
Reported EPS (¢)	7.0	7.2	7.8	8.0	
Adjusted EPS (¢ - FD)	8.5	7.1	7.2	7.3	
Adjusted EPS growth (%)	3.5	-16.5	1.9	0.9	
Adjusted P/E (x)	10.1	12.0	11.8	11.7	
Dividend (¢/sh)	7.5	7.7	7.4	7.5	
Gross yield (%)	8.8	9.0	8.6	8.7	
Net yield (%)	8.8	9.0	8.6	8.7	
ROIC (%)	4.7	3.8	3.8	3.8	

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Releases Annual Report

On 22 September Cromwell Property Group (CMW) released their annual report for 2020 with the following highlights:

2020 Highlights

- FY20 operating profit: \$221.2m up 27%;
- Distributions of 7.50 cents per security up 3.4%, meeting original guidance;
- Operating profit of 8.50 cents per security beats original FY20 earnings guidance of 8.30 cents per security by 0.20 cents per security;
- FY20 operating profit per security up 3.5% to 8.50 cents per security:
- Assets under management: \$11.5b;
- NTA per unit: \$0.99 compared to \$0.97 in FY19;
- Gearing: 41.6%; and
- Weighted average lease expiry (WALE): 6.4 years.

Outlook

- FY21 distribution guidance of 7.50 cents per security represents a distributions per security yield of 8.20%, based on a closing price of 91.5 cents per security on 26 August 2020;
- Cromwell has a strong balance sheet with sufficient liquidity and ample loan covenant headroom to maintain operations well into the future and to continue to invest into their direct and indirect portfolio and their fund and asset management platform;
- Cromwell's financial results demonstrate the strength, resilience, and defensive nature of its property portfolio with its weighting towards government and government agency tenants;
- Cromwell remains well placed to work with a range of capital partners to take advantage of future opportunities as they arise;
- Going forward, operating profit will be difficult to forecast accurately, in large part due to the unpredictability of transactional revenues. However, Cromwell has the confidence in the resilience of their forward operating earnings and cash flows to maintain guidance and distributions at the current level.

Earnings changes

CMW's operating profit for FY20 increased to \$221.2m, up 27.0% on FY19's results. FY21 distribution guidance of 7.50cps, at this stage of the year, is consistent with the market expectations of 7.70 cents. Hence, we don't expect any significant earnings revisions.

We are initiating on CMW with a 12-month price target of \$1.01/sh and a BUY recommendation. The price target is underpinned by our DDM valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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