

COMPANY RESULTS

Frasers Logistics & Commercial Trust (FLT SP)

1HFY24: Scaling Up In Logistics Properties

FLT achieved positive rental reversion of 3.8% (incoming vs outgoing) and 14.2% (average vs average) in 2QFY24. It maintained full occupancy of 100% for its logistics properties across Australia, Europe and the UK. FLT has acquired four logistics properties in Germany for S\$189m. More acquisitions are forthcoming, supported by a sizeable sponsor pipeline and its low aggregate leverage of 32.7%. FLT provides a distribution yield of 6.8% for FY24 (MLT: 6.2%). Maintain BUY. Target: S\$1.55.

1HFY24 RESULTS

Year to 30 Sep (\$m)	1H FY24	yoy % chg	Remarks
Revenue	216.0	+3.9	Supported by positive rent reversions, rental escalations and acquisitions.
Net Property Income* (NPI)	158.7	+1.8	
Distributable Income	130.7	-0.1	Included capital distribution of S\$13.5m.
DPU (cent)	3.48	-1.1	

Source: FCT, UOB Kay Hian *Excluding straight lining adjustments and adding lease payments for land use rights.

RESULTS

- Frasers Logistics & Commercial Trust (FLT) reported 1HFY24 DPU of 3.48 S cents, down 1.1% yoy. The results exceeded our expectation due to capital distribution of divestment gains of S\$13.5m. Management intends to distribute its divestment gains to unitholders in order to keep its DPU stable. It has accumulated substantial gains from the divestment of 55 Market Street and Cross Street Exchange.
- **Positive growth momentum.** Revenue and adjusted NPI grew 3.9% and 1.8% yoy respectively in 1HFY24 due to: a) positive rent reversions, b) rental escalations, and c) contributions from Ellesmere Port, Connexion II and Worcester in the UK. NPI margin narrowed by 1.5ppt yoy to 73.5% due to: a) higher vacancies in commercial properties, and b) higher operating expenses, such non-recoverable land taxes in Australia, utilities and repair & maintenance. Interest expense increased 28.8% yoy due to additional borrowings drawn for capex, developments and acquisitions and higher interest rates.
- **Commercial properties provided strong positive reversions.** FLT executed 13 leases with total lettable area of 18,000sqm in 2QFY24. It achieved positive rental reversion of 3.8% (incoming vs outgoing) and 14.2% (average vs average) (1QFY24: 11.6% and 18.2%). On an average-to-average basis, its logistics properties in Australia recorded a healthy positive reversion of 10.7%. Its commercial properties in Australia posted stellar positive reversions - 22.1% for Victoria (357 Collins Street in Melbourne) and 28.2% for Western Australia (Central Park in Perth).
- **Lower occupancy at ATP.** FLT maintained full occupancy of 100% for its logistics properties across Australia, Europe and the UK. Occupancy for commercial properties eased 4.4ppt qoq to 85.0% as of Mar 24. Occupancy at Alexandra Technopark (ATP) in Singapore dipped 17.3ppt qoq to 78.5% as Google Asia Pacific returned 152,000sf of office space in Feb 24. This was partially offset by 357 Collins Street in Melbourne, Australia, where occupancy improved 5.4ppt qoq to 85.7%.

KEY FINANCIALS

Year to 30 Sep (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	450	421	422	443	453
EBITDA	301	270	281	297	304
Operating profit	301	270	281	297	304
Net profit (rep./act.)	729	(103)	190	196	201
Net profit (adj.)	131	234	190	196	201
EPD (\$ cent)	3.5	6.3	5.1	5.2	5.2
DPU (\$ cent)	7.6	7.0	6.9	6.8	6.8
PE (x)	28.5	16.1	19.9	19.5	19.2
P/B (x)	0.8	0.9	0.9	0.9	0.9
DPU Yld (%)	7.5	7.0	6.8	6.7	6.8
Net margin (%)	161.9	(24.5)	45.1	44.3	44.3
Net debt/(cash) to equity (%)	38.8	45.7	52.2	54.4	56.7
Interest cover (x)	7.4	6.0	4.2	3.9	3.9
ROE (%)	15.5	n.a.	4.4	4.6	4.8
Consensus DPU (\$ cent)	n.a.	n.a.	6.9	7.0	7.1
UOBKH/Consensus (x)	-	-	1.00	0.97	0.96

Source: Frasers Logistics & Commercial Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.01
Target Price	S\$1.55
Upside	+53.5%
(Previous TP)	S\$1.52)

COMPANY DESCRIPTION

FLCT invests in income-producing properties used predominantly for logistics, commercial (CBD office space) or business park (non-CBD office and R&D space) purposes in the Asia Pacific region and Europe.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	FLT SP
Shares issued (m):	3,751.3
Market cap (\$m):	3,788.9
Market cap (US\$m):	2,806.4
3-mth avg daily t'over (US\$m):	9.8

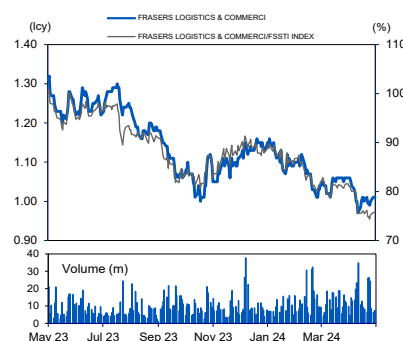
Price Performance (%)

52-week high/low				S\$1.34/S\$0.97
1mth	3mth	6mth	1yr	YTD
(4.7)	(7.3)	(9.8)	(25.2)	(12.2)

Major Shareholders

	%
Frasers Property Ltd	22.1
FY24 NAV/Share (\$)	1.14
FY24 Net Debt/Share (\$)	0.60

PRICE CHART



Source: Bloomberg

ANALYST(S)

Jonathan Koh, CFA, MSc Econ
+65 6590 6620
jonathankoh@uobkayhian.com

- **Resilient balance sheet.** Aggregate leverage increased 2.0ppt qoq to 32.7% as of Mar 24 due to the acquisition of four logistics properties in Germany. Interest coverage ratio remained high at 5.9x. FLT has issued S\$175m of fixed-rate senior notes due 2029 at 3.83%. Its average weighted debt maturity is 2.0 years.
- **Rate cuts by ECB to curtail the rise in cost of debt.** Average cost of debt was unchanged at 2.6% in 2QFY24. 75.9% of its borrowings are hedged to fixed rates. Management has guided cost of debt for FY24 to be below 3%, and expects a slight increase in cost of debt in FY25. Euro-denominated debts accounted for a sizeable 52% of FLT's total borrowings. FLT would benefit from lower Euribor rates when it refinances euro-denominated borrowings of S\$518m that mature in June and August, which will then help to moderate the increase in cost of debt.

STOCK IMPACT

- **Pivot to logistics.** Management plans to increase the allocation for logistics properties to 70-85% (Mar 24: 71%). It has significant debt headroom of S\$851m for acquisition before reaching an aggregate leverage of 40%. FLT may also divest some of its commercial properties and recycle the capital to invest in logistics properties.
- **More acquisitions forthcoming.** FLT will continue to scout for opportunities to invest in logistics properties in Australia, Europe and Singapore. Sponsor Frasers Property has a sizeable pipeline of logistics properties in Australia and Europe. In Australia (Sydney, Melbourne and Brisbane), it has 37 properties with NLA of 11.2m sf valued at S\$2,028m as of Sep 23. In Europe (Germany and the Netherlands), it has 22 properties with NLA of 6.6m sf valued at S\$771m.
- **Resuming acquisition of logistics properties.** FLT has completed the acquisition of 89.9% interests in four logistics properties in Germany from sponsor Frasers Property on 28 Mar 24. The agreed purchase price is €129.5m (S\$188.9m), representing discounts of 5.3% and 1.1% to appraised valuations by Colliers and CBRE respectively. The properties have long WALE of 6.1 years and rent escalation with CPI-linked indexation. They are fully leased to multinational companies, such as Schenker, DACHSER and Hermes Germany, which are FLT's existing tenants.
- **Small acquisition was DPU accretive.** The three freehold assets (Egelsbach Property, Saarwellingen Property and Uberherrn Property) are strategically located in the "Blue Banana" region, a major economic corridor in Europe. The Hamburg Property is close to the Port of Hamburg, the largest port in Germany. According to Colliers, average growth for prime rents was 9% in 4Q23. Low vacancy rates and manageable supply are expected to exert upward pressure on rents. Management estimates the acquisition is accretive to pro forma FY23 DPU by almost 1%. The acquisition is fully funded by euro-denominated debt at a cost of high-3%.
- **Development projects.** FLT completed the development of Ellesmere Port, a 62,211sqm freehold logistics property in the UK's North West, in Dec 23. The property is leased to Peugeot for 15 years and serves as its national parts distribution centre. FLT acquired a freehold forward-funding logistics development next to Maastricht Airport and within the Aviation Valley. The purchase price of €14.5m represents a 12.7% discount to valuation. It is fully leased on a 10-year lease term with no break option. The project is on schedule for targeted completion by 1HFY25.

EARNINGS REVISION/RISK

- We raised our DPU forecast by 4.6% for FY24 and by 1.6% for FY25 due to capital distribution of S\$27m in FY24 (previous: S\$15m) and S\$20m in FY25 (previous: S\$15m) (FY22: S\$15m, FY23: S\$25m). We have assumed that 50% of space vacated by Google is backfilled in FY24 and 85% in FY25.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.55 is based on DDM (cost of equity: 7.0%, terminal growth: 2.8%).

SHARE PRICE CATALYST

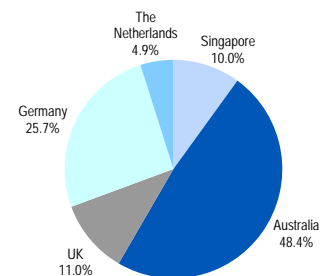
- Growth and expansion by tapping on sponsor pipeline of logistics properties in Australia and Europe.

KEY OPERATING METRICS – FLT

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	yoy chg	qoq chg*
DPU (S cents)	3.52	n.a.	3.52	n.a.	3.48	-1.1%	-1.1%
Occupancy	95.9%	96.2%	96.0%	95.8%	94.3%	-1.6ppt	-1.5ppt
Aggregate Leverage	27.8%	28.6%	30.2%	30.7%	32.7%	4.9ppt	2ppt
All-in Financing Cost	1.8%	2.0%	2.4%	2.6%	2.6%	0.8ppt	0ppt
% Borrowing in Fixed Rates	76.2%	75.4%	77.2%	76.8%	75.9%	-0.3ppt	-0.9ppt
WALE by GRI (years)	4.5	4.4	4.3	4.4	4.3	-0.2yrs	-0.1yrs
Debt Maturity (years)	2.4	2.2	2.2	2.0	2.0	-0.4yrs	0yrs
Rental Reversion	23.2%	21.4%	18.90%	18.20%	14.20%	-9ppt	-4ppt

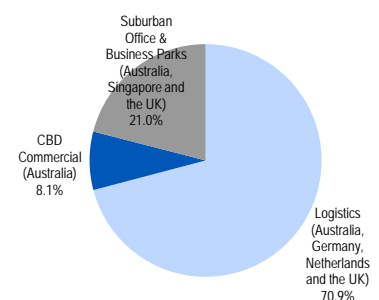
Source: FLT, UOB Kay Hian * hoh % chg for DPU

PORTFOLIO VALUATION BY COUNTRY



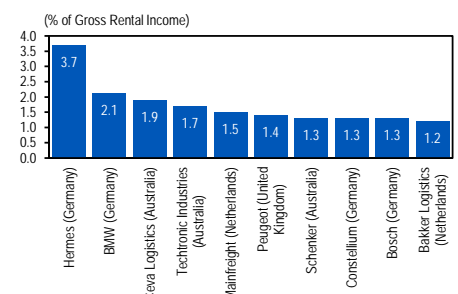
Source: FLT

PORTFOLIO VALUATION BY ASSET TYPE



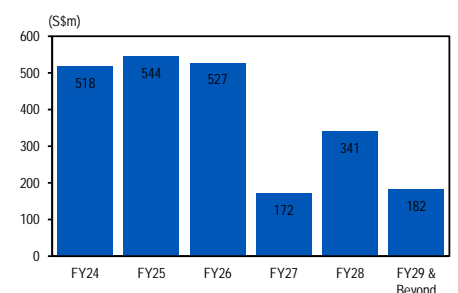
Source: FLT

TOP 10 LOGISTICS TENANTS



Source: FLT

DEBT MATURITY PROFILE



Source: FLT

PROFIT & LOSS

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Net turnover	420.8	422.2	443.3	452.6
EBITDA	270.2	281.0	296.9	303.8
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	270.2	281.0	296.9	303.8
Net interest income/(expense)	(45.1)	(67.1)	(76.4)	(78.3)
Pre-tax profit	(111.9)	213.9	220.5	225.4
Tax	6.6	(21.4)	(22.1)	(22.5)
Minorities	2.3	(2.1)	(2.2)	(2.3)
Net profit	(103.0)	190.4	196.3	200.6
Net profit (adj.)	234.0	190.4	196.3	200.6

BALANCE SHEET

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Fixed assets	6,649.5	6,850.4	6,862.4	6,874.4
Other LT assets	79.9	79.9	79.9	79.9
Cash/ST investment	152.7	152.1	154.6	155.6
Other current assets	55.5	48.4	50.2	50.9
Total assets	6,937.7	7,130.9	7,147.1	7,160.9
ST debt	522.8	522.8	522.8	522.8
Other current liabilities	86.4	91.1	95.0	97.0
LT debt	1,633.5	1,880.0	1,945.0	2,010.0
Other LT liabilities	269.9	277.3	283.2	288.9
Shareholders' equity	4,379.7	4,312.2	4,251.3	4,190.2
Minority interest	45.3	47.5	49.7	51.9
Total liabilities & equity	6,937.7	7,130.9	7,147.1	7,160.9

CASH FLOW

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Operating	302.3	275.5	279.6	284.8
Pre-tax profit	(111.9)	213.9	220.5	225.4
Working capital changes	(4.6)	13.5	2.3	1.0
Non-cash items	381.8	36.5	36.8	37.1
Other operating cashflows	37.0	11.5	19.9	21.2
Investing	(128.3)	(200.9)	(12.0)	(12.0)
Capex (growth)	0.0	(188.9)	0.0	0.0
Capex (maintenance)	(161.3)	(12.0)	(12.0)	(12.0)
Proceeds from sale of assets	31.2	0.0	0.0	0.0
Others	1.7	0.0	0.0	0.0
Financing	(243.1)	(75.2)	(265.2)	(271.8)
Distribution to unitholders	(271.0)	(257.9)	(257.1)	(261.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	78.0	246.5	65.0	65.0
Others/interest paid	(50.1)	(63.8)	(73.1)	(75.0)
Net cash inflow (outflow)	(69.1)	(0.6)	2.4	1.0
Beginning cash & cash equivalent	220.7	152.7	152.1	154.6
Changes due to forex impact	1.2	0.0	0.0	0.0
Ending cash & cash equivalent	152.7	152.1	154.6	155.6

KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	64.2	66.6	67.0	67.1
Pre-tax margin	(26.6)	50.7	49.7	49.8
Net margin	(24.5)	45.1	44.3	44.3
ROA	n.a.	2.7	2.7	2.8
ROE	n.a.	4.4	4.6	4.8
Growth				
Turnover	(6.5)	0.3	5.0	2.1
EBITDA	(10.3)	4.0	5.6	2.3
Pre-tax profit	(113.0)	n.a.	3.1	2.2
Net profit	(114.1)	n.a.	3.1	2.2
Net profit (adj.)	78.7	(18.6)	3.1	2.2
EPU	77.3	(19.3)	2.1	1.3
Leverage				
Debt to total capital	32.8	35.5	36.5	37.4
Debt to equity	49.2	55.7	58.0	60.4
Net debt/(cash) to equity	45.7	52.2	54.4	56.7
Interest cover (x)	6.0	4.2	3.9	3.9

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 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W