

COMPANY UPDATE

Frasers Logistics & Commercial Trust (FLT SP)

Resiliency And Growth From Focus On Logistics Properties

FLT's business update for 1QFY25 demonstrated continued strong positive rental reversion for logistics properties in Australia. It maintained full occupancy for its logistics properties in Australia, Europe and the UK. Services Australia renewed its lease for Caroline Chisholm Centre for 12 years. FLT's ability to acquire is supported by a low aggregate leverage of 36.2% and large debt headroom of S\$433m. FLT provides an FY25 yield of 7.3% (MLT: 6.7%). Maintain BUY. Target price: S\$1.26.

WHAT'S NEW

- Frasers Logistics & Commercial Trust (FLT) provided its business update for 1QFY25.
- Strong leasing momentum for logistics properties in Australia.** FLT's logistics properties clocked positive rental reversion of 41.8% on an average vs average basis in 1QFY25 (incoming vs outgoing: 21.3%). The strong reversion was driven by Australia (Queensland: 47.3%, Victoria: 69.4%). Rental reversion was softer but nevertheless positive at 7.9% for logistics properties in Germany.
- Logistics properties fully occupied except Singapore.** FLT maintained full occupancy for its logistics properties in Australia, Europe and the UK. In Singapore, occupancy for the newly-acquired 2 Tuas South Link 1 was 89.3%. Occupancy for Maxis Business Park in the UK improved 6.7ppt qoq to 87.1%. Occupancy for 357 Collins Street in Melbourne slipped 19.9ppt qoq to 63% due to non-renewal by Service Stream. Services Australia, the government agency responsible for delivering welfare, health insurance and child support payments, has renewed lease for Caroline Chisholm Centre in Canberra, Australia for 12 years commencing from Jul 25.
- Aggregate leverage edged higher by 3.2ppt qoq to 36.2%** as of Dec 24 due to debt-funded acquisition of logistics property 2 Tuas South Link 1 in Singapore and depreciation of the EUR and AUD against the SGD.
- Maintains guidance on cost of debt at mid-3% by 4QFY25.** Loans denominated in SGD and GBP that mature in FY25 are S\$355m and S\$209m respectively. On aggregate, they account for 23% of FLT's total borrowings. About 73.3% of FLT's borrowings are hedged to fixed interest rates. Average cost of debt was stable at 3.1% in 1QFY25. FLT cautioned that cost of debt would continue to rise as loans are refinanced and interest rate swaps are rolled over at higher interest rates in FY25. Management has guided that cost of debt would rise to mid-3% by 4QFY25.

KEY FINANCIALS

Year to 30 Sep (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	421	447	467	478	493
EBITDA	270	279	296	304	314
Operating profit	270	279	296	304	314
Net profit (rep./act.)	(103)	148	186	184	192
Net profit (adj.)	234	188	186	184	192
EPU (\$ cent)	6.3	5.0	4.9	4.9	5.0
DPU (\$ cent)	7.0	6.8	6.4	6.1	6.2
PE (x)	14.1	17.6	18.0	18.2	17.6
P/B (x)	0.8	0.8	0.8	0.8	0.8
DPU Yld (%)	8.0	7.7	7.3	6.9	7.1
Net margin (%)	(24.5)	33.0	39.9	38.6	38.9
Net debt/(cash) to equity (%)	45.7	53.4	59.4	61.2	63.1
Interest cover (x)	6.0	4.4	3.4	3.1	3.2
ROE (%)	(2.2)	3.4	4.4	4.4	4.6
Consensus DPU (\$ cent)	-	-	6.7	6.7	6.5
UOBKH/Consensus (x)	-	-	0.96	0.91	0.96

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

BUY

(Maintained)

Share Price	S\$0.885
Target Price	S\$1.26
Upside	+42.4%
(Previous TP)	S\$1.33)

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):	3,762.2
Market cap (\$m):	3,329.5
Market cap (US\$m):	2,468.2
3-mth avg daily t'over (US\$m):	10.4

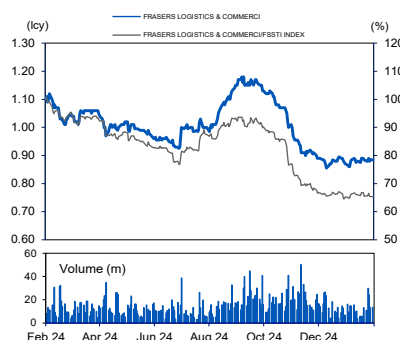
Price Performance (%)

52-week high/low				S\$1.19/S\$0.85
1mth	3mth	6mth	1yr	YTD
(0.6)	(13.2)	(11.5)	(18.8)	0.6

Major Shareholders

	%
Frasers Property Ltd	23.0
FY25 NAV/Share (\$)	1.11
FY26 Net Debt/Share (\$)	0.66

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **In compliance with Australia Taxation Administration Act.** Management guided that FLT would pay 50-75% of management fees through issuance of new units for FY25. The sponsor Frasers Property Limited will sell the units received to ensure compliance to "closely held test" for managed investment trust in Australia. Assuming 50% of management fees is paid through issue of new units and the new units are sold in the market over 10 days, we estimate that the selling pressure would amount to only 9% of the average daily turnover, which could be comfortably absorbed.

STOCK IMPACT

- **Pivoting to logistics.** Management plans to increase the allocation for logistics properties to 70-85% (Dec 24: 72.4%). It has significant debt headroom of S\$433m for acquisitions before reaching an aggregate leverage of 40%. FLT will focus on its five core developed markets of Singapore, Australia, Germany, Netherlands and the UK. It will also explore expansion into Japan. FLT may divest some of its commercial properties in Australia (non-core office properties) and the UK (business parks) and recycle the capital freed up for reinvestment in logistics properties.

- **Australia: Industry dynamics remain positive.** According to CBRE, rental growth slowed by 7.9%, 5.9% and 9.1% yoy respectively across Sydney, Melbourne and Brisbane in 4Q24. FLT's logistics properties in Australia are under-rented by 30%, which ensures continued positive rental reversion. Leasing activities are driven by the transport, postal and warehousing sectors. Vacancy rate has bounced off the historic low in 1H23 but remains one of the lowest globally at 2.5% in 2H24. The pipeline of new supply of 25.8m sf (similar level compared to 2024) is 40% pre-committed for 2025. New supply is expected to ease in 2026.

- **Singapore: Backfilling vacant space.** Occupancy at Alexandra Technopark (ATP) in Singapore was stable at 84.1% in 1QFY25. FLT secured replacement tenants for 25% of tranche one space of 150,000sf (expiry: Feb 24) and 29% of tranche two space of 200,000sf (expiry: Dec 24) vacated by Google Asia Pacific. Occupancy at ATP is expected to dip further to 70% in 2QFY25. FLT is working on backfilling the remaining vacant space but competition from other business parks remains tough.

EARNINGS REVISION/RISK

- We maintain our existing DPU forecast.
- **Key assumptions.** We have factored in a capital distribution of S\$35m in FY25 and S\$25m in FY26 (FY24: S\$45m). We have also assumed that FLT pays 50% of management fees in new units in FY25 and FY26.

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$1.26 is based on DDM (cost of equity: 7.25% (previous: 7.0%), terminal growth: 2.5%).

SHARE PRICE CATALYST

- Acquisitions in Australia and Europe tapping on sponsor pipeline. Backfilling of vacant space at ATP in Singapore and business parks in the UK.

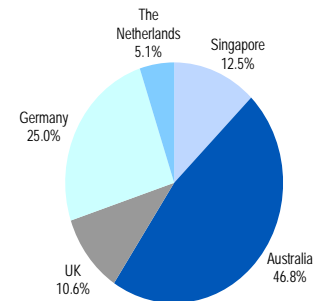
KEY OPERATING METRICS

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	yoy Chg	qoq Chg*
DPU (S cents)	n.a.	3.48	n.a.	3.32	n.a.	n.a.	n.a.
Occupancy	95.8%	94.3%	95.0%	94.5%	94.3%	-1.5ppt	-0.2ppt
Aggregate Leverage	30.7%	32.7%	33.2%	33.0%	36.2%	5.5ppt	3.2ppt
All-in Financing Cost	2.6%	2.6%	2.8%	3.1%	3.1%	0.5ppt	0ppt
% Borrowing in Fixed Rates	76.8%	75.9%	72.6%	73.3%	70.9%	-5.9ppt	-2.4ppt
WALE by GRI (years)	4.4	4.3	4.2	4.2	4.6	0.2yrs	0.4yrs
Debt Maturity (years)	2.0	2.0	2.0	2.4	2.0	0yrs	-0.4yrs
Rental Reversion	18.2%	14.2%	25.1%	26.8%	41.8%	23.6ppt	15ppt

* hoh % chg for DPU

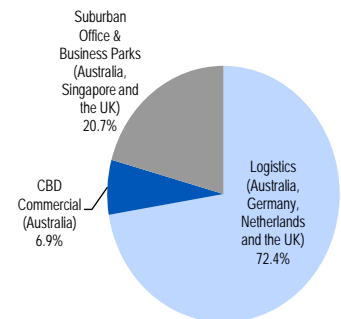
Source: FLT, UOB Kay Hian

PORTFOLIO VALUATION BY COUNTRY



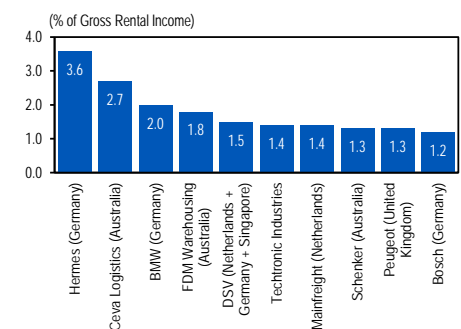
Source: FLT

PORTFOLIO VALUATION BY ASSET TYPE



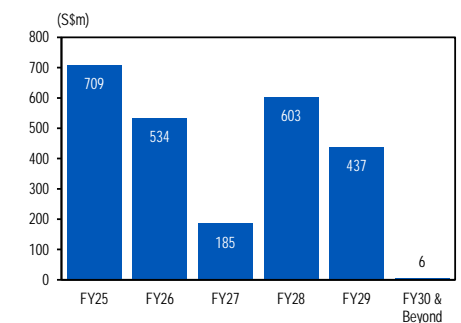
Source: FLT

TOP 10 LOGISTICS TENANTS



Source: FLT

DEBT MATURITY PROFILE



Source: FLT

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	446.7	466.6	478.2	492.7
EBITDA	278.8	295.9	304.4	314.5
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	278.8	295.9	304.4	314.5
Total other non-operating income	(40.8)	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(63.7)	(87.0)	(97.2)	(98.9)
Pre-tax profit	174.4	208.9	207.2	215.6
Tax	(23.7)	(20.9)	(20.7)	(21.6)
Minorities	(3.2)	(2.1)	(2.1)	(2.2)
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	147.5	185.9	184.4	191.8
Net profit (adj.)	188.3	185.9	184.4	191.8

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	311.4	255.2	287.7	297.4
Pre-tax profit	174.4	208.9	207.2	215.6
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	40.8	(22.4)	1.3	1.6
Non-cash items	62.6	17.3	17.2	17.4
Other operating cashflows	33.6	51.4	62.0	62.9
Investing	(263.7)	(152.3)	(12.0)	(12.0)
Capex (growth)	(183.1)	(140.3)	0.0	0.0
Capex (maintenance)	(88.2)	(12.0)	(12.0)	(12.0)
Proceeds from sale of assets	5.7	0.0	0.0	0.0
Others	1.9	0.0	0.0	0.0
Financing	(67.4)	(81.5)	(274.5)	(283.9)
Distribution to unitholders	(262.6)	(242.3)	(230.7)	(238.3)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	264.5	244.5	50.0	50.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(69.3)	(83.7)	(93.9)	(95.6)
Net cash inflow (outflow)	(19.7)	21.5	1.2	1.5
Beginning cash & cash equivalent	152.7	133.6	155.0	156.2
Changes due to forex impact	0.5	0.0	0.0	0.0
Ending cash & cash equivalent	133.6	155.0	156.2	157.8

BALANCE SHEET

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Fixed assets	6,928.4	7,080.7	7,092.7	7,104.7
Other LT assets	30.3	30.3	30.3	30.3
Cash/ST investment	133.6	155.0	156.2	157.8
Other current assets	44.6	52.9	53.8	55.0
Total assets	7,136.9	7,318.9	7,333.0	7,347.8
ST debt	557.2	557.2	557.2	557.2
Other current liabilities	110.9	95.3	97.6	100.4
LT debt	1,855.5	2,100.0	2,150.0	2,200.0
Other LT liabilities	291.1	298.5	304.5	310.8
Shareholders' equity	4,269.5	4,213.2	4,167.0	4,120.5
Minority interest	52.6	54.6	56.7	58.9
Total liabilities & equity	7,136.9	7,318.9	7,333.0	7,347.8

KEY METRICS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	62.4	63.4	63.7	63.8
Pre-tax margin	39.0	44.8	43.3	43.8
Net margin	33.0	39.9	38.6	38.9
ROA	2.1	2.6	2.5	2.6
ROE	3.4	4.4	4.4	4.6
Growth				
Turnover	6.2	4.5	2.5	3.0
EBITDA	3.2	6.1	2.9	3.3
Pre-tax profit	n.a.	19.8	(0.8)	4.0
Net profit	n.a.	26.0	(0.8)	4.0
Net profit (adj.)	(19.5)	(1.2)	(0.8)	4.0
EPU	(20.2)	(1.8)	(1.3)	3.5
Leverage				
Debt to total capital	35.8	38.4	39.1	39.7
Debt to equity	56.5	63.1	65.0	66.9
Net debt/(cash) to equity	53.4	59.4	61.2	63.1
Interest cover (x)	4.4	3.4	3.1	3.2

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