

COMPANY UPDATE

Frasers Centrepoint Trust (FCT SP)

Heartbeat Of The Heartland

FCT reported DPU of 6.054 S cents for 1HFY25 (+0.5% yoy), which is slightly above our expectation. It achieved a positive rental reversion of +9.0% driven by Causeway Point, Tampines 1 and Century Square. Tenant sales rose 3.3% yoy, boosted by the completion of AEI at Tampines 1. The acquisition of NCSW is aligned to focus on dominant suburban malls and is accretive to pro forma FY24 DPU by 2.0%. FCT provides a FY25 distribution yield of 5.6%. Maintain BUY. Target price: S\$2.73.

WHAT'S NEW

- **Acquiring South Wing of Northpoint City.** Frasers Centrepoint Trust (FCT) has entered into an agreement to acquire 100% of North Gem Trust, which owns Northpoint City South Wing (NCSW), from sponsor Frasers Property. The agreed property value is S\$1,133m, which is 1.1% below the average of two independent valuation of S\$1,146m by Colliers and S\$1,120m by Savills.
- **In the heart of Yishun HDB estate.** NCSW, together with FCT's Northpoint City North Wing, forms Northpoint City, the largest suburban retail mall in northern Singapore. NCSW has NLA of 301,579sf spanning across two upper levels and two basement levels. NCSW is part of an integrated mixed-use development with 920-unit condominium North Park Residences sitting on top of its retail podium. It is linked to Yishun MRT station via an underground pedestrian link.
- **NCSW outperforms comparable suburban retail malls.** NCSW was fully occupied as of Dec 24. Tenant sales were 33.3% above pre-pandemic levels in 2024, outperforming comparable dominant suburban malls, such as Causeway Point and Waterway Point, at 21.6%. NCSW provides NPI yield of 4.5%. It has a remaining leasehold of 89 years.
- **Underserved with limited new supply.** Population density in NCSW's catchment area is 10,214 per sq km, which is twice the national average of 5,684. Retail space per capita is 2.0sf, significantly lower than national average of 12.1sf. There is limited and small new retail supply in the primary catchment over the next five years.
- **Population growth in the primary catchment.** NCSW will benefit from inflow of new residents to its primary catchment area within a 2km radius. New 70-ha housing area Chencharu within Yishun town will offer 10,000 new homes by 2040. Housing Development Board (HDB) launched the first BTO project in Chencharu with 1,270 units comprising a mix of two-room Flexi to five-room flats in Jun 24. According to CBRE, the primary catchment population is expected to increase 21.2% to 285,192 by 2031.

KEY FINANCIALS

Year to 30 Sep (\$m)	2023	2024	2025F	2026F	2027F
Net turnover	372	352	390	453	465
EBITDA	228	213	239	280	289
Operating profit	228	213	238	280	289
Net profit (rep./act.)	211	198	212	237	247
Net profit (adj.)	205	196	212	237	247
EPU (S\$ cent)	12.1	11.5	11.8	11.8	12.3
DPU (S\$ cent)	12.2	12.0	12.6	12.7	12.9
PE (x)	18.8	19.6	19.2	19.1	18.4
P/B (x)	1.0	1.0	1.0	1.0	1.0
DPU Yld (%)	5.4	5.3	5.6	5.6	5.7
Net margin (%)	56.8	56.2	54.4	52.4	53.1
Net debt/(cash) to equity (%)	54.4	48.1	55.8	56.7	57.1
Interest cover (x)	2.8	2.5	2.8	2.4	2.5
ROE (%)	5.3	4.9	4.8	5.0	5.2
Consensus DPU (S\$ cent)	-	-	12.0	12.5	13.0
UOBKH/Consensus (x)	-	-	1.05	1.01	0.99

Source: Frasers Centrepoint Trust, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.26
Target Price	S\$2.73
Upside	20.8%
(Previous TP)	S\$2.63

COMPANY DESCRIPTION

FCT is one of the largest owners of suburban retail malls in Singapore with portfolio valuation at S\$7.1b. It has ten suburban malls and one office building. Its retail malls are located in populous residential estates and close proximity to public transportation amenities, such as MRT stations and bus interchanges.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	FCT SP
Shares issued (m):	2,021.7
Market cap (S\$m):	4,569.0
Market cap (US\$m):	3,491.3
3-mth avg daily t'over (US\$m):	10.3

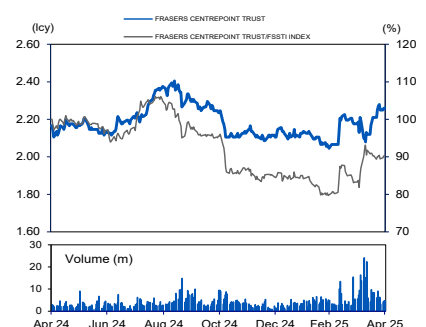
Price Performance (%)

52-week high/low				S\$2.415/S\$2.03
1mth	3mth	6mth	1yr	YTD
3.9	7.3	0.6	4.8	7.3

Major Shareholders

	%
Frasers Property Ltd	39.4
FY25 NAV/Share (S\$)	2.38
FY25 Net Debt/Share (S\$)	1.33

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Expansion through acquisition of dominant suburban retail malls.** The acquisition of NCSW aligns with FCT's strategy of focusing on dominant suburban malls. Northpoint City is the 5th largest suburban mall in Singapore. FCT owns four of the top 10 largest suburban malls in Singapore. Portfolio valuation is expected to expand 21% to S\$6.4b. Its market share of suburban malls will increase from 9.3% to 10.3%. Management estimated that the acquisition of NCSW is accretive to pro forma FY24 DPU by 2.0% to 12.28 S cents. Pro forma aggregate leverage at end-FY24 increased by 1.3ppt to 39.8%.
- The proposed acquisition is subject to approval by unitholders during EGM in May 25.
- **Tapping various sources of financing.** The acquisition is funded by private placement (105.3m new units at S\$2.09 to raise S\$220m), 54-for-1,000 non-renounceable preferential offering (98.2m new units at S\$2.05 to raise S\$200m), perpetual securities with a coupon rate at 4.2% (S\$200m) and new SGD loans at an interest rate of 3.25% (lower than previous guidance of 3.4%).
- **Potential to unlock value through AEI.** Northpoint City could be enhanced to unlock value across North Wing and South Wing: a) create additional retail NLA of 8,000sf by removing secondary corridors and decanting non-commercial GFA; b) optimise tenant mix through trade clustering, right-sizing tenancies and re-positioning "cold zones"; and c) consolidate mechanical & electrical systems across both wings. Northpoint City, on a combined basis, recorded an NPI margin at 72.7% in 2024. It has the potential to improve NPI margin by 1.5ppt to 74.2%, achieved by comparable dominant suburban malls.
- **Resilient 1HFY25 results.** FCT reported DPU of 6.054 S cents for 1HFY25 (+0.5% yoy), which is slightly above our expectation. FCT achieved a positive rental reversion of +9.0% for 1HFY25 (1HFY24: +7.5%, 2HFY24: +7.8%) driven by Causeway Point (+10.0%), Tampines 1 (+13.3%) and Century Square (+11.6%). Committed portfolio occupancy for retail malls was stable at 99.5% in 2QFY25. Causeway Point and Northpoint City North Wing maintained high occupancies of 99% and 100% respectively. Shopper traffic grew 1.0% yoy in 1HFY25. Tenant sales rose 3.3% yoy, boosted by the completion of AEI at Tampines 1. Average occupancy cost dipped slightly below 16% in 1HFY25.

EARNINGS REVISION/RISK

- We raised our DPU forecasts for FY26 by 5.8% and FY27 by 3.5% due to the acquisition of NCSW and an increase in the proportion of management paid in units to 56% for 2HFY25 and 1HFY26 (previous: 20%).

VALUATION/RECOMMENDATION

- **Maintain BUY.** Our target price of S\$2.73 is based on DDM (cost of equity: 6.75%, terminal growth: 2.5%).

SHARE PRICE CATALYST

- Increase in shopper traffic and tenant sales, driven by growth in domestic consumption.
- Full-year contribution from additional 24.5% stake in NEX in FY25; AEI for NEX; NEX obtaining tax transparency status.

KEY OPERATING METRICS

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	yoy % chg	qoq % chg*
DPU (S cents)	6.02	n.a.	6.02	n.a.	6.054	0.5	0.6
Occupancy	99.9%	99.7%	99.7%	99.5%	99.5%	-0.4ppt	0ppt
Aggregate Leverage	38.5%	39.1%	38.5%	39.3%	38.9%	0.4ppt	-0.4ppt
All-in Financing Cost	4.2%	4.1%	4.1%	4.0%	3.9%	-0.2ppt	-0.1ppt
% Borrowing on Fixed Rates	68.5%	67.2%	71.4%	65.5%	75.8%	7.3ppt	10.3ppt
WALE by NLA (years)	1.96	1.97	2.11	2.08	1.98	0yrs	-0.1yrs
Debt Maturity (years)	3.05	2.78	2.56	3.03	2.95	-0.1yrs	-0.1yrs
Rental Reversions	7.5%	n.a.	7.7%	n.a.	9.0%	1.5ppt	1.3ppt

*hoh % chg for DPU & rental reversions

Source: FCT

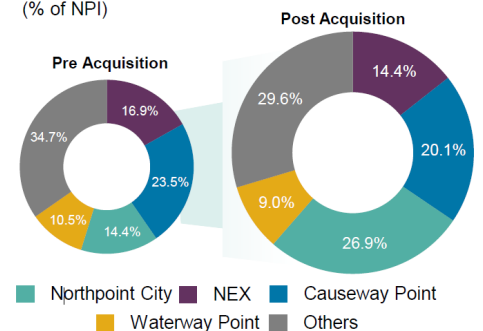
OVERVIEW – NORTHPOINT CITY SOUTH WING

Tenure	99-year leasehold title commencing Mar 15 (89 years remaining)
Description	Suburban retail mall comprising two upper levels and two basement levels
Location	1 Northpoint Drive, Singapore 768019
GFA	482,406sf
NLA	301,579sf, including 8,492sf currently used as community/sports facilities scheme space
Committed occupancy	100.0%
Key tenants	NTUC FairPrice, Harvey Norman and Uniqlo
Number of car park lots	484
Connection to public transportation	Yishun Integrated Transport Hub and Yishun MRT station (North South Line)

Source: FCT

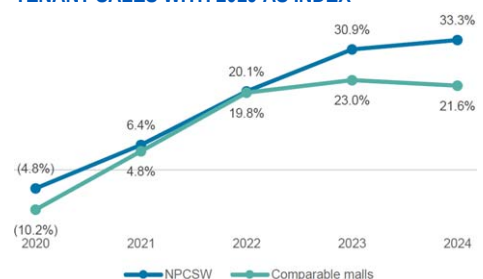
FY24 INCOME CONTRIBUTION BY PROPERTIES

(% of NPI)



Source: FCT

TENANT SALES WITH 2019 AS INDEX



Source: FCT

CHENCHARU PROVIDES 10,000 HOMES



Source: HDB

PROFIT & LOSS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Net turnover	351.7	390.2	453.1	465.2
EBITDA	212.8	238.6	279.8	288.9
Deprec. & amort.	0.0	0.1	0.1	0.1
EBIT	212.7	238.5	279.7	288.8
Total other non-operating income	1.7	0.1	0.0	0.0
Associate contributions	66.2	59.4	72.4	74.0
Net interest income/(expense)	(84.2)	(85.8)	(114.9)	(115.7)
Pre-tax profit	196.5	212.2	237.2	247.2
Tax	1.1	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	197.5	212.2	237.2	247.2
Net profit (adj.)	196.3	212.2	237.2	247.2

BALANCE SHEET

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Fixed assets	5,283.0	6,490.6	6,520.6	6,525.6
Other LT assets	1,057.0	1,085.0	1,085.0	1,085.0
Cash/ST investment	26.8	376.2	366.8	371.7
Other current assets	12.0	9.9	11.3	11.6
Total assets	6,378.9	7,961.6	7,983.6	7,993.8
ST debt	319.8	433.4	433.4	433.4
Other current liabilities	109.0	102.0	118.4	121.6
LT debt	1,708.4	2,600.0	2,620.0	2,640.0
Other LT liabilities	81.0	65.7	70.0	70.8
Shareholders' equity	4,160.7	4,760.6	4,741.9	4,728.0
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	6,378.9	7,961.6	7,983.6	7,993.8

CASH FLOW

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Operating	215.7	(223.0)	369.1	364.2
Pre-tax profit	132.4	154.0	167.2	175.6
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.1	0.1	0.1
Associates	66.2	59.4	72.4	74.0
Working capital changes	(42.5)	(5.9)	15.0	2.9
Non-cash items	25.6	15.7	16.7	11.8
Other operating cashflows	33.9	(446.3)	97.6	99.8
Investing	45.2	(110.0)	(30.0)	(5.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(41.6)	(110.0)	(30.0)	(5.0)
Proceeds from sale of assets	357.5	0.0	0.0	0.0
Others	(270.7)	0.0	0.0	0.0
Financing	(266.3)	682.4	(348.5)	(354.3)
Distribution to unitholders	(208.0)	(238.3)	(256.0)	(261.0)
Issue of shares	200.0	0.0	0.0	0.0
Proceeds from borrowings	874.7	1,005.2	20.0	20.0
Loan repayment	(1,043.0)	0.0	0.0	0.0
Others/interest paid	(90.0)	(84.6)	(112.5)	(113.3)
Net cash inflow (outflow)	(5.4)	349.4	(9.4)	4.9
Beginning cash & cash equivalent	32.2	26.8	376.2	366.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	26.8	376.2	366.8	371.7

KEY METRICS

Year to 30 Sep (\$m)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	60.5	61.1	61.8	62.1
Pre-tax margin	55.9	54.4	52.4	53.1
Net margin	56.2	54.4	52.4	53.1
ROA	3.1	3.0	3.0	3.1
ROE	4.9	4.8	5.0	5.2
Growth				
Turnover	(5.4)	10.9	16.1	2.7
EBITDA	(6.6)	12.1	17.3	3.2
Pre-tax profit	(7.1)	8.0	11.8	4.2
Net profit	(6.4)	7.4	11.8	4.2
Net profit (adj.)	(4.2)	8.1	11.8	4.2
EPU	(4.4)	2.3	0.3	4.0
Leverage				
Debt to total capital	32.8	38.9	39.2	39.4
Debt to equity	48.7	63.7	64.4	65.0
Net debt/(cash) to equity	48.1	55.8	56.7	57.1
Interest cover (x)	2.5	2.8	2.4	2.5

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