

MARKET NEWS

US stocks were mixed on Tuesday, as gains in the consumer staples, communication services and information technology sectors led shares higher and losses in the consumer discretionary, health care and financials sectors led shares lower. At the close of the NYSE, the DJIA fell 0.25% while the S&P 500 index was up 0.29%, and the NASDAQ Composite index rose 0.43%. Falling stocks outnumbered advancing ones on the NYSE by 1,434 to 1,355 and 117 ended unchanged; on the Nasdaq Stock Exchange, 2,175 declined and 2,048 advanced, while 201 ended unchanged. (Source: WSJ, Bloomberg)

During the last trading session, the FSSTI index fell 13.87pt to 3,135.25. Among the top active stocks were Seatrium (-2.8%), Singtel (-0.4%), Genting Singapore (-0.5%), SATS (-3.2%) and Jiutian Chemical (+3.9%). The FTSE ST Mid Cap index fell 0.5% while the FTSE ST Small Cap Index was down 0.3%. The broader market 264 gainers and 293 losers with total trading value of S\$1.06b..

WHAT'S IN THE PACK

Singapore Company Update:

Frasers Centrepoint Trust - 1QFY24: Upside from enhancing Tampines 1 and NEX.

(FCT SP/BUY/S\$2.24/Target: S\$2.70)

Strong demand for suburban retail space enabled FCT to sustain positive rental reversion and improve committed retail occupancy...

Singapore Technical Analysis:

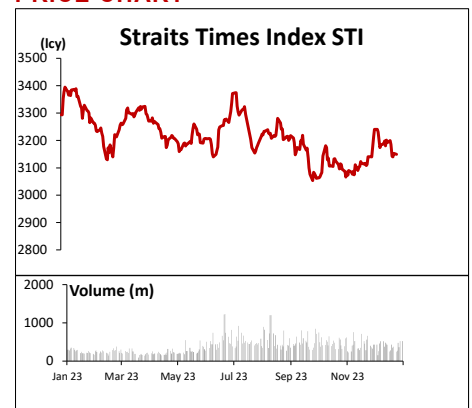
City Developments (CIT SP) - Trading SELL

Price broke and closed below the cloud, turning the chart outlook to bearish. There is a bearish conversion and base lines crossover that hints at potential downside ahead...

Wilmar International (WIL SP) - Trading SELL

Price is trading far below the cloud, suggesting a strong bearish downtrend. Conversion and base lines remain in a bearish crossover that hints at potential downside ahead...

PRICE CHART



KEY INDICES

	Prev Close	1M %	YTD %
DJIA	37905.5	1.4	0.6
S&P 500	4864.6	2.3	2.0
FTSE 100	7485.7	(2.8)	(3.2)
AS30	7742.1	0.2	(1.1)
CSI 300	3231.9	(3.2)	(5.8)
FSSTI	3135.3	(0.2)	(3.2)
HSCEI	5140.9	(6.3)	(10.9)
HSI	15354.0	(6.0)	(9.9)
JCI	7256.2	0.3	(0.2)
KLCI	1496.1	2.9	2.8
KOSPI	2478.6	(4.7)	(6.7)
Nikkei 225	36517.6	10.1	9.1
SET	1356.5	(3.5)	(4.2)
TWSE	17874.6	1.6	(0.3)
BDI	1473	(29.7)	(29.7)
CPO (RM/mt)	3948	7.8	6.2
Brent Crude (US\$/bbl)	80	0.9	3.5

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
DBS Group Holdings	31.81	(0.3)	140.0
United Overseas Bank	28.04	0.4	84.5
Oversea-Chinese Banking Corp	12.90	(0.1)	60.4
CapitaLand Integrated Commer	1.99	0.5	47.3
Singapore Telecommunications	2.38	(0.4)	45.9

TOP GAINERS

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
Nio Inc-Class A	6.13	5.3	3.6
Olam Group	0.92	2.2	1.0
Aem Holdings	2.91	2.1	11.4
Emperador Inc	0.51	1.0	0.7
Frasers Centrepoint Trust	2.26	0.9	8.6

TOP LOSERS

Company	Price (\$)	Chg (%)	5-day ADT (\$m)
Sri Trang Agro-Industry-For	0.60	(5.5)	0.0
Jardine Cycle & Carriage	27.69	(4.0)	20.9
Riverstone Holdings	0.66	(3.7)	0.9
Mandarin Oriental - Jers Reg	1.47	(3.3)	0.0
SATS	2.74	(3.2)	10.5

*ADT: Average daily turnover

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TRADERS' CORNER



City Developments (CIT SP)

Trading Sell Range: S\$6.32-6.35

Last price: S\$6.28

Target price: S\$5.83

Protective stop: S\$6.46

Price broke and closed below the cloud, turning the chart outlook to bearish. There is a bearish conversion and base lines crossover that hints at potential downside ahead. MACD has turned bearish and is moving lower. These could increase chances of the stock price moving lower.

The potential downside target is S\$5.83. Stop-loss could be placed at S\$6.46.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$8.00.



Wilmar International (WIL SP)

Trading Sell Range: S\$3.35-3.36

Last price: S\$3.24

Target price: S\$3.09

Protective stop: S\$3.43

Price is trading far below the cloud, suggesting a strong bearish downtrend. Conversion and base lines remain in a bearish crossover that hints at potential downside ahead. MACD is bearish and is moving lower. These could increase chances of the stock price moving lower.

The potential downside target is S\$3.09. Stop-loss could be placed at S\$3.43.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S\$3.80.

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FROM THE REGIONAL MORNING NOTES...

Frasers Centrepoint Trust (FCT SP)

1QFY24: Upside From Enhancing Tampines 1 And NEX

Strong demand for suburban retail space enabled FCT to sustain positive rental reversion and improve committed retail occupancy by 1.5ppt yoy and 0.2ppt qoq to 99.9% in 1QFY24. AEI for Tampines 1 is progressing smoothly with the second batch of completed AEI units expected to open in Mar 24. NEX could potentially be enhanced by decanting existing carpark space for conversion into commercial space. FCT provides defensive FY24 distribution yield of 5.2%. Maintain BUY. Target price: S\$2.70.

RESULTS

- Frasers Centrepoint Trust (FCT) provided 1QFY24 business update.
- **Strong demand drives occupancies higher.** Portfolio occupancy for retail properties improved 1.5ppt yoy and 0.2ppt qoq to 99.9%. NEX, Waterway Point, Northpoint City North Wing and Hougang Mall were fully occupied. Occupancies for all suburban malls were above 99.0%, except for Tampines 1, which is undergoing AEI works.
- **Continues to maintain positive rental reversion.** FCT clocked positive rental reversion of 4.7% in FY23. Rental reversion improved substantially in 1QFY24 compared with that of FY23. Occupancy cost, which was 15.6% in FY23, remains healthy as both rents and prices of products and services have increased in tandem.
- **Buoyant retail scene at suburban malls.** Tenant sales increased 1.1% yoy if we exclude several anchor tenants that underwent renovation in October and November ahead of the festive season. These anchor tenants have completed their rebranding/repositioning and benefitted from better sales after the renovations. Overall, tenant sales were 18% above pre-pandemic levels in calendar year 2023.
- **AEI for Tampines 1 on track for completion in Sep 24.** FCT achieved pre-commitment of 97% for the additional 8,000sf of space created by the AEI at Tampines 1. The first batch of units that have completed AEI works, such as F&B and beauty outlets at level 4 and 5, commenced operations in Dec 23. The second batch of units that have completed AEI is expected to open from Mar 24 onwards.
- **Resilient balance sheet.** Aggregate leverage eased 2.1ppt qoq to 37.2% after completing divestments of Changi City Point and its 28.8% stake in Hektar REIT. All-in cost of debt inched higher by 0.2ppt qoq to 4.3%. Management has recently entered into new hedges at favourable interest rates of below 4% and has increased the proportion of debt hedged to fixed interest rate from 63% to 73%. FCT has already completed the refinancing required for FY24 and expects the average cost of debt to be at low-4% range in FY24 (FY23: 3.8%).

KEY FINANCIALS

Year to 30 Sep (\$\$m)	2022	2023	2024F	2025F	2026F
Net turnover	357	372	349	356	358
EBITDA	222	228	220	225	228
Operating profit	222	228	220	224	227
Net profit (rep./act.)	207	211	194	189	191
Net profit (adj.)	204	205	183	189	191
EPU (S\$ cent)	12.0	12.1	10.7	11.1	11.2
DPU (S\$ cent)	12.2	12.2	11.7	12.0	12.0
PE (x)	18.6	18.6	20.9	20.3	20.1
P/B (x)	1.0	1.0	1.0	1.0	1.0
DPU Yld (%)	5.5	5.4	5.2	5.4	5.4
Net margin (%)	58.1	56.8	55.5	53.1	53.3
Net debt/(cash) to equity (%)	44.7	54.4	48.3	48.9	49.5
Interest cover (x)	4.7	2.8	2.7	2.7	2.7
ROE (%)	5.3	5.3	4.9	4.8	4.8
Consensus DPU (S\$ cent)	n.a.	n.a.	12.0	12.0	12.4
UOBKH/Consensus (x)	-	-	0.97	1.00	0.97

Source: Frasers Centrepoint Trust, Bloomberg, UOB Kay Hian

STOCK IMPACT

- Leasing demand was strong in 4Q23 driven by F&B operators, fashion brands and proliferation of pop-up stores.** According to CBRE, vacancy for suburban malls has risen by 0.8ppt qoq to 4.9% after some retailers consolidated at fringe locations. Nevertheless, rents for suburban malls increased 3.1% yoy. Net supply of retail space contracted by 236,800sf or 0.5% in 3Q23 due to the redevelopment of JCube, Central Mall, Central Square and Faber House. From 4Q23 to 2026, a total 1.34m sf of new retail space is expected to come on-stream, equivalent to 0.48m sf per year (23% below historical average). CBRE expects retail rents to maintain its growth trajectory in 2024.
- CDC vouchers boosting spending at supermarkets.** The government has disbursed CDC vouchers worth S\$500 to 1.27m Singaporean households in Jan 24. The stimulus package is expected to boost consumption in Singapore by S\$635m. Half of the vouchers can be used at supermarkets, which provides a timely boost to spending at supermarkets located at FCT's suburban malls prior to the Chinese New Year.
- Focus on dominant suburban malls.** FCT completed the acquisition of 25.5% interest in NEX and an additional 10.0% interest in Waterway Point in Feb 23. It owns four of the 10 largest suburban malls in Singapore, which are NEX, Northpoint City North Wing, Causeway Point and Waterway Point. According to CISTRI, FCT has the largest market share of 10.5% for suburban malls' floor space, ahead of CICT at 9.6% as of Mar 23. It serves a population catchment of 2.6m, which is close to half of Singapore's population.
- Creating value by enhancing NEX.** NEX has several anchor and mini-anchor tenants, such as FairPrice Xtra, Isetan, H&M, Food Junction and Shaw Theatres, which accounted for 50% of its total NLA in aggregate. The proportion of retail space allocated to anchors and mini anchors is much larger compared to most other suburban malls at below 40%. There is room for FCT to optimise performance from NEX by rightsizing its tenant mix. Management is also looking at the feasibility of decanting the existing carpark space for conversion into commercial space.
- Management has estimated annual savings of S\$1m in operating expenses from the various cost-saving initiatives.** FCT will install food waste valorisation systems at five suburban malls to convert food waste into higher value products that can be utilised in the food supply chain. It is also partnering the SP Group on a solar power purchase agreement (PPA). Solar panels will be installed on the rooftops of Causeway Point, Century Square, Hougang Mall, Northpoint City North Wing, Tampines 1 and White Sands. FCT does not incur upfront capex or maintenance expense for the PPA.

EARNINGS REVISION/RISK

- We maintain our existing FY24 DPU forecast of 11.7 S cents.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of S\$2.70** 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.
- Acquisition of NEX (effective stake of 24.5%) and Northpoint City South Wing from sponsor Frasers Property.

KEY OPERATING METRICS

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	yoy % chg	qoq % chg*
DPU (S cents)	n.a.	6.13	n.a.	6.02	n.a.	n.a.	n.a.
Occupancy	98.4%	99.2%	98.7%	99.7%	99.9%	1.5ppt	0.2ppt
Aggregate Leverage	33.9%	39.6%	40.2%	39.3%	37.2%	3.3ppt	-2.1ppt
Weighted All-in Financing Cost	3.5%	3.6%	3.7%	4.1%	4.3%	0.8ppt	0.2ppt
% Borrowing on Fixed Rates	73.0%	76.4%	63.0%	63.0%	63.4%	-9.8ppt	0.4ppt
WALE by NLA (years)	1.87	1.93	1.95	1.97	2.03	0.2yrs	0.1yrs
Debt Maturity (years)	1.82	1.91	2.53	2.33	2.80	1yrs	0.5yrs
Rental Reversions	n.a.	1.9%	n.a.	4.7%	n.a.	n.a.	n.a.

Source: FCT * hoh % chg for DPU & rental reversions

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