

## COMPANY RESULTS

### Frasers Centrepoint Trust (FCT SP)

1HFY24: Resilient Growth In Consumption At Suburban Malls

FCT's suburban malls saw an influx of shopper traffic and tenant sales increased 4.3% yoy in 2QFY24, which exceeded pre-pandemic levels by 20%. Positive rental reversion picked up to 7.5% in 1HFY24 (FY23: 4.7%). NEX would be enhanced by: a) decanting existing car park space for conversion into 60,000sf of commercial space, and b) rightsizing the tenant mix to reduce the reliance on anchor tenants. FCT provides a defensive FY25 distribution yield of 5.5%. Maintain BUY. Target price: S\$2.71.

#### 1HFY24 RESULTS

Year to 30 Sep (S\$m)	1H FY24	yoy % chg	Remarks
Gross Revenue	172.2	-7.2	Affected by divestment of Changi City Point in Oct 23 and disruption from ongoing AEI works at Tampines 1.
Net Property Income (NPI)	124.6	-8.4	
Distributable Income	104.9	+0.2	Interest expense increased 14.8% yoy.
DPU (S cents)	6.022	-1.8	Released S\$1.1m of tax-exempt income previously retained in 2HFY23.

Source: FCT, UOB Kay Hian

#### RESULTS

- Frasers Centrepoint Trust (FCT) reported DPU of 6.022 S cents for 1HFY24 (-1.8% yoy), which is in line with our expectation.
- **Generating sustained organic growth.** Gross revenue and NPI declined 7.2% and 8.4% yoy respectively in 1HFY24. Excluding contributions from Changi City Point (divested in Oct 23) and Tampines 1 (disruption from ongoing asset enhancement initiative (AEI) works), gross revenue and NPI would have increased 2.9% and 2.1% yoy respectively.
- **Strong demand drives occupancies higher.** Portfolio occupancy for retail properties improved 0.7ppt yoy and was flat qoq at 99.9% in 2QFY24. NEX, Waterway Point, Hougang Mall and White Sands were fully occupied. Occupancies for Northpoint City North Wing and Century Square were 99.9%. Occupancies for all suburban malls were above 99.0%, except for Tampines 1, which is undergoing AEI works.
- **Achieved higher positive rental reversion.** FCT clocked higher positive rental reversion of 7.5% on an average-to-average basis in 1HFY24 (FY23: 4.7%). Rental reversion improved substantially in 1HFY24 compared with that of FY23. Rental reversion was particularly strong at Causeway Point, Northpoint City North Wing and Century Square at 8.3%, 7.8% and 9.3% respectively.
- **Buoyant retail scene at suburban malls.** Shopper traffic increased 8.1% yoy in 2QFY24 due to pre-festive shopping for Chinese New Year in February and Hari Raya Puasa in April. Recently revamped anchor tenants, such as supermarkets and food courts, also attracted more shoppers. Tenant sales increased 4.3% yoy in 2QFY24 and were 20% above pre-pandemic levels. Consumer spending was boosted by the disbursement of Community Development Council (CDC) vouchers.

#### KEY FINANCIALS

Year to 30 Sep (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	357	372	349	371	374
EBITDA	222	228	212	229	232
Operating profit	222	228	212	229	231
Net profit (rep./act.)	207	211	183	204	209
Net profit (adj.)	204	205	196	204	209
EPU (S\$ cent)	12.0	12.1	11.5	11.3	11.6
DPU (S\$ cent)	12.2	12.2	11.8	12.0	12.1
PE (x)	18.1	18.0	18.9	19.2	18.7
P/B (x)	0.9	0.9	1.0	1.0	1.0
DPU Yld (%)	5.6	5.6	5.5	5.5	5.6
Net margin (%)	58.1	56.8	52.3	54.9	55.9
Net debt/(cash) to equity (%)	44.7	54.4	52.3	54.7	55.2
Interest cover (x)	4.7	2.8	2.5	2.5	2.5
ROE (%)	5.3	5.3	4.5	5.0	5.1
Consensus DPU (S\$ cent)	n.a.	n.a.	12.0	12.0	12.7
UOBKH/Consensus (x)	-	-	0.99	1.00	0.95

Source: Frasers Centrepoint Trust, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$2.17
Target Price	S\$2.71
Upside	+24.9%
(Previous TP)	S\$2.73

#### COMPANY DESCRIPTION

FCT is one of the largest owners of suburban retail malls in Singapore with portfolio valuation at S\$7.1b. It has nine 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):	1,807.9
Market cap (S\$m):	3,941.2
Market cap (US\$m):	2,895.8
3-mth avg daily t'over (US\$m):	6.1

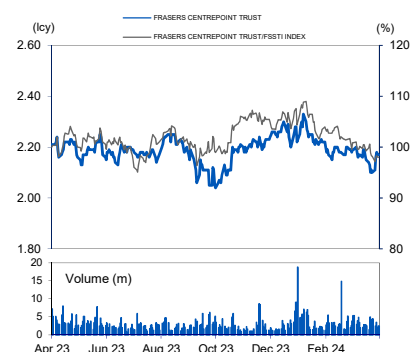
#### Price Performance (%)

52-week high/low				S\$2.33/S\$2.04
1mth	3mth	6mth	1yr	YTD
(0.9)	(4.4)	2.8	(5.6)	(3.5)

#### Major Shareholders

	%
Frasers Property Ltd	39.4
FY24 NAV/Share (S\$)	2.28
FY24 Net Debt/Share (S\$)	1.19

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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- **Resilient balance sheet.** Aggregate leverage increased 1.3ppt qoq to 38.5% as of Mar 24 after completing acquisition of additional 24.5% stake in NEX and 10% stake in Waterway Point and private placement of 91.7m new units to raise S\$200m in Feb 24. All-in cost of debt eased 0.2ppt qoq to 4.1% in 2QFY24 after repaying higher cost loans and entering into new hedges at favourable interest rates of below 4%. Management expects the average cost of debt to be at low-4% in FY24 (FY23: 3.8%).

#### STOCK IMPACT

- **Creating value by enhancing NEX.** Management plans to decant existing car park space for conversion into commercial space. The AEI is expected to provide additional NLA of 60,000sf, representing an increase of 9.5%, and generate ROI of above 7% based on development cost of S\$80-100m. Management expects the AEI to be accretive to DPU by 0.5-0.7%. NEX is able to provide savings of S\$7m per year if the holding company is restructured into a limited liability partnership and qualify for tax transparency.
- **Generating rental growth through tenant remix.** NEX has several anchor and mini-anchor tenants, such as FairPrice Xtra, Isetan, H&M, Food Junction and Shaw Theatres, which accounted for 53% of its total NLA in aggregate. The proportion of retail space allocated to anchors and mini anchors is much larger compared with FCT's other dominant suburban malls at 41%. FCT could enhance rental yield from NEX by reconfiguring layout and rightsizing its tenant mix to reduce the reliance on anchor and mini-anchor tenants.
- **AEI for Tampines 1 on track for completion in Sep 24.** FCT achieved pre-commitment of 99% for the additional 8,000sf of space created by the AEI at Tampines 1. More than 80% of the AEI space is scheduled to be handed over to tenants by May 24. New tenants include ALUXE, Lenskart Studio, Love Bonito, Mister Donut, Novela, SaSa, Sinpopo Brand and Tiong Bahru Bakery.

#### EARNINGS REVISION/RISK

- We maintain our existing DPU forecast largely unchanged.

#### VALUATION/RECOMMENDATION

- **Maintain BUY** and target price of S\$2.71 based on DDM (cost of equity: 6.75%, terminal growth: 2.5%).

#### SHARE PRICE CATALYST

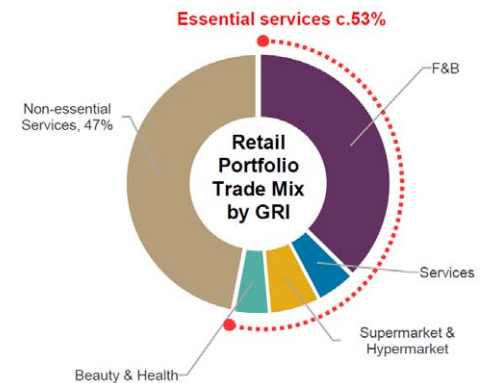
- Increase in shopper traffic and tenant sales driven by growth in domestic consumption.
- Full quarter contribution from additional 24.5% stake in NEX starting 3QFY24; AEI for NEX; NEX obtaining tax transparency status.
- Acquisition of Northpoint City South Wing from sponsor Frasers Property.

#### KEY OPERATING METRICS

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	yoy % Chg	qoq %
DPU (S cents)	6.13	n.a.	6.02	n.a.	6.02	-1.8	0.0
Occupancy	99.2%	98.7%	99.7%	99.9%	99.9%	0.7ppt	0ppt
Aggregate Leverage	39.6%	40.2%	39.3%	37.2%	38.5%	-1.1ppt	1.3ppt
Weighted All-in Financing	3.6%	3.7%	4.1%	4.3%	4.2%	0.6ppt	-0.1ppt
% Borrowing on Fixed	76.4%	63.0%	63.0%	63.4%	68.5%	-7.9ppt	5.1ppt
WALE by NLA (years)	1.93	1.95	1.97	2.03	1.96	0yrs	-0.1yrs
Debt Maturity (years)	1.91	2.53	2.33	2.80	3.05	1.1yrs	0.3yrs
Rental Reversions	1.9%	n.a.	4.7%	n.a.	7.5%	3.2ppt	2.8ppt

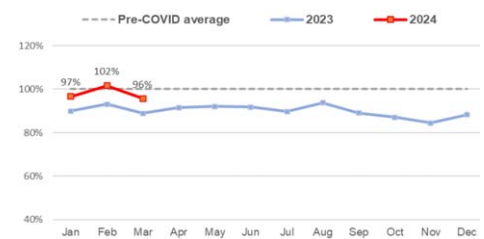
Source: FCT \* hoh % chg for DPU & rental reversions

#### TRADE MIX FOCUSES ON ESSENTIAL SERVICES



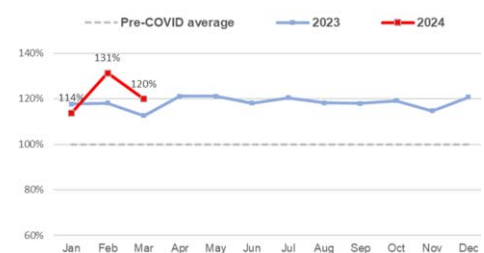
Source: FCT

#### PORTFOLIO SHOPPER TRAFFIC TREND



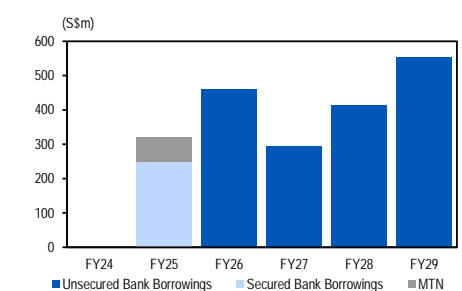
Source: FCT

#### PORTFOLIO TENANT SALES TREND



Source: FCT

#### DEBT MATURITY PROFILE



Source: FCT

### PROFIT & LOSS

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Net turnover	371.7	349.5	370.7	374.2
EBITDA	227.8	212.4	228.9	232.4
Deprec. & amort.	0.0	0.1	0.1	1.1
EBIT	227.8	212.3	228.8	231.3
Total other non-operating income	2.3	0.4	0.0	0.0
Associate contributions	56.2	67.6	66.2	71.5
Net interest income/(expense)	(81.0)	(85.2)	(91.3)	(93.6)
<b>Pre-tax profit</b>	<b>211.4</b>	<b>181.6</b>	<b>203.7</b>	<b>209.2</b>
Tax	(0.3)	1.1	0.0	0.0
<b>Net profit</b>	<b>211.1</b>	<b>182.7</b>	<b>203.7</b>	<b>209.2</b>
Net profit (adj.)	205.1	196.1	203.7	209.2

### CASH FLOW

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>243.1</b>	<b>103.0</b>	<b>303.0</b>	<b>305.4</b>
Pre-tax profit	149.1	127.4	137.5	137.7
Deprec. & amort.	0.0	0.1	0.1	1.1
Associates	50.4	67.6	66.2	71.5
Working capital changes	33.9	(58.0)	5.1	0.9
Non-cash items	11.6	21.7	6.5	6.5
Other operating cashflows	(1.8)	(55.8)	87.7	87.7
<b>Investing</b>	<b>(356.9)</b>	<b>14.0</b>	<b>(81.5)</b>	<b>(1.5)</b>
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(8.3)	(43.0)	(85.0)	(5.0)
Investments	(400.0)	(321.9)	0.0	0.0
Proceeds from sale of assets	0.0	375.4	0.0	0.0
Others	51.4	3.5	3.5	3.5
<b>Financing</b>	<b>107.8</b>	<b>(104.4)</b>	<b>(219.4)</b>	<b>(302.3)</b>
Distribution to unitholders	(208.5)	(211.3)	(218.1)	(223.7)
Issue of shares	0.0	200.0	0.0	0.0
Proceeds from borrowings	1,147.0	(8.0)	90.0	15.0
Loan repayment	(749.9)	0.0	0.0	0.0
Others/interest paid	(80.8)	(85.2)	(91.3)	(93.6)
<b>Net cash inflow (outflow)</b>	<b>(6.0)</b>	<b>12.6</b>	<b>2.1</b>	<b>1.6</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>38.2</b>	<b>32.2</b>	<b>44.8</b>	<b>46.9</b>
<b>Ending cash &amp; cash equivalent</b>	<b>32.2</b>	<b>44.8</b>	<b>46.9</b>	<b>48.5</b>

### BALANCE SHEET

Year to 30 Sep (\$m)	2023	2024F	2025F	2026F
Fixed assets	5,220.5	5,263.8	5,263.8	5,263.8
Other LT assets	730.8	1,067.0	1,147.0	1,147.0
Cash/ST investment	32.2	44.8	46.9	48.5
Other current assets	391.7	20.2	20.7	20.7
<b>Total assets</b>	<b>6,375.2</b>	<b>6,395.8</b>	<b>6,478.3</b>	<b>6,480.0</b>
ST debt	353.5	142.4	142.4	142.4
Other current liabilities	150.5	91.4	97.0	97.9
LT debt	1,841.9	2,045.0	2,135.0	2,150.0
Other LT liabilities	56.0	23.9	25.4	25.6
Shareholders' equity	3,973.2	4,093.0	4,078.5	4,064.0
<b>Total liabilities &amp; equity</b>	<b>6,375.2</b>	<b>6,395.8</b>	<b>6,478.3</b>	<b>6,480.0</b>

### KEY METRICS

Year to 30 Sep (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	61.3	60.8	61.7	62.1
Pre-tax margin	56.9	52.0	54.9	55.9
Net margin	56.8	52.3	54.9	55.9
ROA	3.4	2.9	3.2	3.2
ROE	5.3	4.5	5.0	5.1
<b>Growth</b>				
Turnover	4.1	(6.0)	6.1	0.9
EBITDA	2.4	(6.8)	7.8	1.5
Pre-tax profit	5.1	(14.1)	12.2	2.7
Net profit	1.9	(13.5)	11.5	2.7
Net profit (adj.)	0.5	(4.4)	3.9	2.7
EPU	0.3	(4.6)	(1.6)	2.5
<b>Leverage</b>				
Debt to total capital	35.6	34.8	35.8	36.1
Debt to equity	55.3	53.4	55.8	56.4
Net debt/(cash) to equity	54.4	52.3	54.7	55.2
Interest cover (x)	2.8	2.5	2.5	2.5

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