

# Frasers Centrepoint Trust

## Steady operating metrics

### SINGAPORE | REAL ESTATE (REIT) | 3Q23 Update

- No financials provided in this business update. Retail portfolio occupancy increased 1.6ppts YoY to 98.7% (1H23: 99.2%).
- Tenant sales and shopper traffic improved 5% and 16% YoY respectively. YTD tenant sales averaged c.16% above pre-COVID levels.
- Maintain ACCUMULATE, DDM TP unchanged at S\$2.35. Catalysts include stronger than forecast rental reversions and accretive acquisitions. The current share price implies a FY23e DPU yield of 5.6%.

#### The Positives

**+ Retail portfolio occupancy remained high at 98.7% (+1.6ppts YoY; -0.5ppts QoQ).** The lower occupancy QoQ was largely due to a 6.4ppt drop in occupancy at Changi City Point from 99% to 92.6%. This was mainly transitional vacancies as FCT looks to reposition the mall by bringing in popular brands such as Coach. Excluding Tampines 1 which is undergoing AEI, occupancy at the eight malls came in at 92.6% or higher, with six malls having an occupancy of 98.6% or higher. The recently acquired NEX, in which FCT holds a 25.5% stake, has a committed occupancy of 100%. Only 4.2% of leases by GRI are up for renewal for the rest of this financial year.

**+ Tenant sales and shopper traffic** continued to grow 5% and 16% YoY respectively in 3Q23 indicating robust demand. YTD tenants' sales averaged c.16% above pre-COVID levels. Trade sectors that performed well were F&B, fashion and accessories, electronics, and beauty. Essential trades like supermarkets and healthcare are still performing well above pre-COVID levels but are growing at a slower pace from the higher base in 2022.

#### The Negative

**- Gearing increased from 39.6% to 40.2%**, and the proportion of fixed interest rate borrowings decreased from 76.4% as at 1H23 to 63.0%. The YTD all-in cost of debt increased 10bps QoQ to 3.7% after refinancing all loans due in FY23. FCT has collaborated with OCBC on its green loan offering with carbon credits and the proceeds from this loan will be used to refinance debt that is expiring in FY24. Green loans account for c.49.8% of total borrowings (Mar23: 37.9%).

#### Outlook

Improving tenant sales should lower occupancy costs further (currently below 16% and 5-year lows), and this should support FCT's ability to raise rents. Inorganic growth opportunities include the acquisition of the sponsor's pipeline of assets such as the 24.5% effective interest in NEX and Northpoint City South Wing.

AEI works have commenced at Tampines 1 in 2Q23 and is on schedule for completion in 3Q24. The mall continues to operate as works are staged and more than 90% of AEI spaces have been pre-committed to date.

#### Maintain ACCUMULATE, DDM TP unchanged at S\$2.35

Catalysts include stronger than forecast reversions and accretive acquisitions. Risks include a slowdown in retail sales. The current share price implies a FY23e DPU yield of 5.6%.



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#### ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 2.19
FORECAST DIV	SGD 0.122
TARGET PRICE	SGD 2.35
TOTAL RETURN	12.7%

#### COMPANY DATA

BLOOMBERG CODE:	FCT SP
O/S SHARES (MN):	1,708
MARKET CAP (USD mn / SGD mn):	2818 / 3740
52 - WK HI/LO (SGD):	2.38 / 1.9
3M Average Daily T/O (mn):	3.16

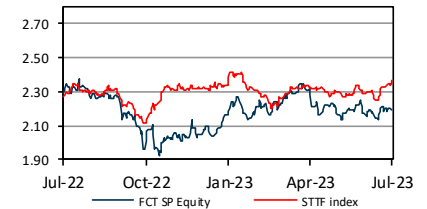
#### MAJOR SHAREHOLDERS

FRASERS PROPERTY LTD	41.2%
VANGUARD GROUP INC	2.4%
SCHRODERS PLC	1.9%
BLACKROCK INC	1.8%

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.9	(3.0)	7.2
STTF RETURN	2.8	1.2	3.1

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Sept	FY21	FY22	FY23e	FY24e
Gross Rev (SGD mn)	341	357	376	386
NPI (SGD mn)	247	259	263	271
Dist Inc. (SGD mn)	205	208	208	216
P/NAV (x)	0.95	0.94	0.94	0.94
DPU, adj (Cents)	12.09	12.23	12.19	12.67
Distribution Yield	5.5%	5.6%	5.6%	5.8%

Source: Company, PSR

#### Valuation Method

**DDM (Cost of equity 6.90%, Terminal Growth 1.5%)**

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## Financials

### Statement of Total Return and Distribution Statement

Y/E Sep, SGD mn	FY20	FY21	FY22	FY23e	FY24e
<b>Gross Revenue</b>	164	341	357	376	386
Total Property expenses	(53)	(95)	(98)	(112)	(115)
<b>Net Property Income</b>	<b>111</b>	<b>247</b>	<b>259</b>	<b>263</b>	<b>271</b>
Net Finance (Expense)/Inc	(28)	(46)	(47)	(80)	(80)
Trust expenses	(2)	(3)	(4)	(4)	(4)
Manager's management fees	(18)	(32)	(33)	(30)	(31)
<b>Net Income</b>	<b>65</b>	<b>166</b>	<b>176</b>	<b>149</b>	<b>156</b>
Share of associate's results	75	(1)	(1)	1	2
Share of JV's results	11	17	25	47	48
Other Adjustments	(8)	16	12	12	12
<b>Distribution to Unitholders</b>	<b>72</b>	<b>205</b>	<b>208</b>	<b>208</b>	<b>216</b>

### Per share data

Y/E Sep, SGD	FY20	FY21	FY22	FY23e	FY24e
NAV	2.27	2.30	2.33	2.32	2.32
DPU (Cents)	9.04	12.09	12.23	12.19	12.67

### Cash Flow

Y/E Sep, SGD mn	FY20	FY21	FY22	FY23e	FY24e
<b>CFO</b>					
Net Income	152	172	201	198	206
Adjustments	(54)	43	25	41	40
WC changes	(20)	(5)	9	25	2
<b>Cashflow from operating activities</b>	<b>78</b>	<b>198</b>	<b>234</b>	<b>263</b>	<b>248</b>
<b>CFI</b>					
Capex on inv properties	(11)	-	(6)	(5)	(5)
Others	(153)	(471)	22	(366)	48
<b>Cashflow from investing activities</b>	<b>(164)</b>	<b>(471)</b>	<b>16</b>	<b>(371)</b>	<b>43</b>
<b>CFF</b>					
Share issuance	-	1,335	-	-	-
Distributions to Unitholders	(85)	(150)	(208)	(208)	(208)
Others	186	(899)	(46)	336	(78)
<b>Cashflow from financing activities</b>	<b>101</b>	<b>286</b>	<b>(254)</b>	<b>127</b>	<b>(286)</b>
<b>Net change in cash</b>	<b>15</b>	<b>14</b>	<b>(4)</b>	<b>19</b>	<b>5</b>
<b>CCE, end</b>	<b>29</b>	<b>42</b>	<b>38</b>	<b>57</b>	<b>63</b>

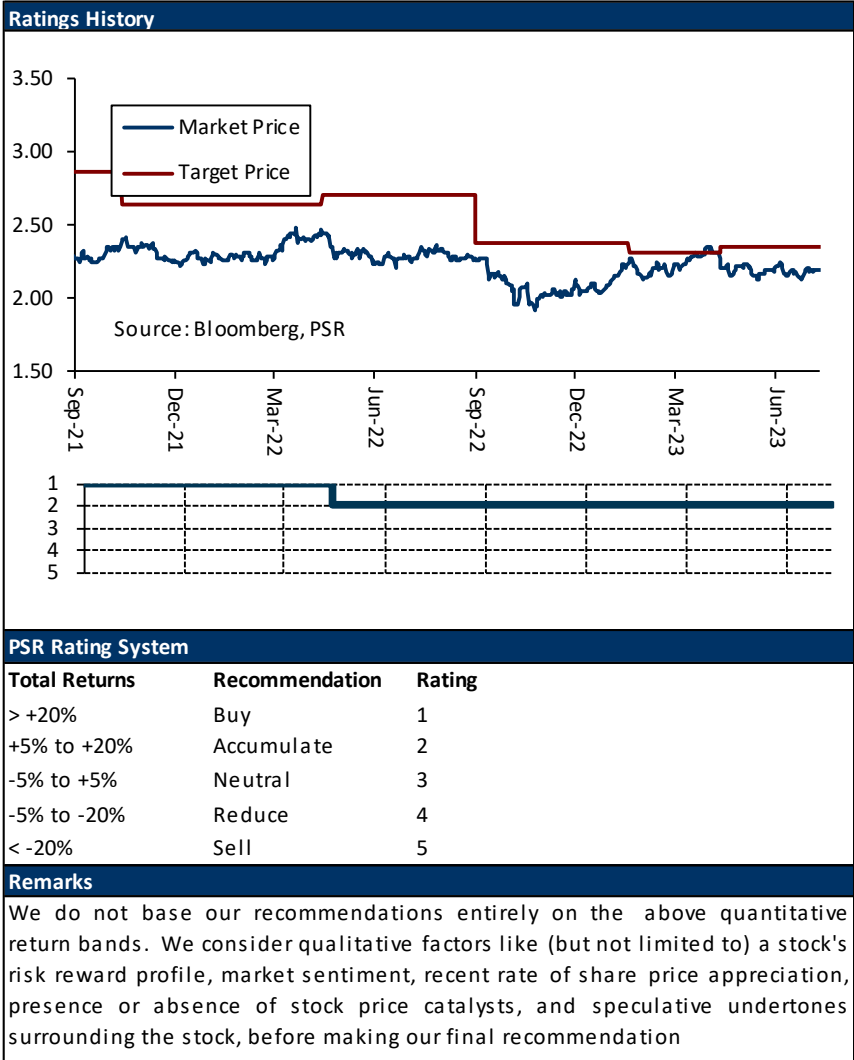
Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Sep, SGD mn	FY20	FY21	FY22	FY23e	FY24e
<b>ASSETS</b>					
Investment properties	2,750	5,507	5,516	5,521	5,526
Investment in Associates	696	46	41	41	41
<b>Non Current Assets</b>	<b>3,737</b>	<b>5,848</b>	<b>5,891</b>	<b>6,311</b>	<b>6,318</b>
Trade and Other Receivables	9.7	9.0	8.9	11.3	11.6
Cash and Cash Equivalents	29	42	38	57	63
<b>Current Assets</b>	<b>146</b>	<b>51</b>	<b>50</b>	<b>72</b>	<b>78</b>
<b>Total Assets</b>	<b>3,883</b>	<b>5,899</b>	<b>5,941</b>	<b>6,383</b>	<b>6,395</b>
<b>LIABILITIES</b>					
Interest bearing borrowings	997	1,604	1,419	1,657	1,787
Others	31	54	50	50	50
<b>Non-Current Liabilities</b>	<b>1,028</b>	<b>1,658</b>	<b>1,470</b>	<b>1,707</b>	<b>1,838</b>
Trade and other payables	43	76	71	98	100
Interest bearing borrowings	255	205	391	570	442
Others	19	42	46	46	46
<b>Current Liabilities</b>	<b>317</b>	<b>322</b>	<b>507</b>	<b>713</b>	<b>587</b>
<b>Total Liabilities</b>	<b>1,345</b>	<b>1,980</b>	<b>1,977</b>	<b>2,420</b>	<b>2,425</b>
<b>EQUITY</b>					
<b>Shareholder Equity</b>	<b>2,538</b>	<b>3,919</b>	<b>3,964</b>	<b>3,963</b>	<b>3,971</b>

### Valuation Ratios

Y/E Sep	FY20	FY21	FY22	FY23e	FY24e
P/NAV (x)	0.97	0.95	0.94	0.94	0.94
Distribution yield	4.1%	5.5%	5.6%	5.6%	5.8%
NPI yield	4.0%	4.5%	4.7%	4.8%	4.9%
<b>Growth &amp; Margins</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23e</b>	<b>FY24e</b>	<b>0</b>
<b>Growth</b>					
Revenue	-16.3%	107.5%	4.6%	5.3%	2.8%
Net property income (NPI)	-20.4%	122.4%	4.9%	1.9%	3.0%
DPU	-23.2%	33.7%	1.2%	-0.3%	4.0%
<b>Margins</b>					
NPI margin	67.5%	72.3%	72.5%	70.1%	70.2%
Net Income Margin	39.8%	48.6%	49.2%	39.7%	40.5%
<b>Key Ratios</b>					
Gearing	45.5%	32.9%	32.8%	40.3%	40.3%
ROA	1.7%	2.8%	3.0%	2.3%	2.4%
ROE	2.6%	4.2%	4.4%	3.8%	3.9%
Interest coverage ratio (x)	4.02	5.38	5.53	3.28	3.37



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