

# Frasers Centrepoint Trust

Robust operating performance in 1H24

SINGAPORE | REAL ESTATE (REIT) | 1H24 Results

- 1H24 DPU of 6.022 Scts was 1.8% lower YoY, in line with our expectations. Gross revenue/NPI fell 7.2%/8.4% YoY due to the divestment of Changi City Point (CCP) in Oct 23, and ongoing AEI work at Tampines 1 (T1). Excluding these factors, gross revenue/NPI would have risen 2.9%/2.1% YoY.
- 1H24 retail portfolio occupancy was high at 99.9%, with portfolio rental reversions at +7.5%. 2Q24 shopper traffic and tenants' sales were up 8.1% and 4.3%, respectively. This was an improvement from 1Q24 shopper traffic growth of 3.1% and tenants' sales decline of 0.7% YoY.
- Maintain ACCUMULATE, with an unchanged DDM TP of S\$2.38. We expect 7% positive rental reversion for FY24e, supported by the low occupancy cost of 15.5%. Share price catalysts include more accretive acquisitions and lower-than-expected interest costs. The share trades at an FY24e DPU yield of 5.6%. There is no change in our estimates.

## Results at a glance

(SGD mn)	1H24	1H23	YoY (%)	Comments
<b>Gross Revenue</b>	<b>172.2</b>	<b>185.7</b>	<b>-7.2%</b>	Due to lower contribution from CCP which was divested in Oct 23 and from T1 due to ongoing AEI.
Net Property Income	124.6	136.0	-8.4%	Excluding CCP and T1, NPI was 2.1% higher YoY.
Finance Costs	(41.6)	(35.7)	16.6%	Higher interest expense.
Dist. Income	104.9	104.7	0.2%	
<b>DPU (Cents)</b>	<b>6.022</b>	<b>6.130</b>	<b>-1.8%</b>	S\$1.1mn of previously retained DI in 2H23 was released in 1H24.

Source: Company, PSR

## The Positives

**+ 2Q24 retail portfolio occupancy remained almost full at 99.9% (unchanged QoQ).** Occupancy was at least 99% across all the malls. 1H24 rental reversion of +7.5% exceeded our expectations, and it was above 1H23 rental reversion of +4.3%. We expect this healthy positive rental reversion trend to continue for the remaining 14% of leases (by GRI) that expire in FY24.

**+ Improvements in tenants' sales and shopper traffic.** 2Q24 tenants' sales and shopper traffic were 4.3% and 8.1% higher YoY, respectively. Portfolio shopper traffic is now only 2% below pre-COVID levels, while tenant sales are c.20% higher than pre-COVID levels. We expect tenants' sales to remain robust, supported by the various government handouts to Singapore residents in 2024.

**+ All-in cost of debt improved 10bps QoQ to 4.2%,** as FCT used the proceeds from the divestments of Changi City Point and interest in Hektar REIT to pay off some of the higher-cost debt. Aggregate leverage rose 1.3%pts QoQ to 38.5% as loans were drawn down to finance the increased stake in NEX and the Tampines 1 AEI. 68.5% of debt is hedged to a fixed rate. FCT has no debt expiring in FY24, and its ICR is 3.26 times. FY24e all-in cost of debt is expected to be low 4%.

## The Negative

- nil



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26 April 2024

## ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 2.17
FORECAST DIV	SGD 0.121
TARGET PRICE	SGD 2.38
<b>TOTAL RETURN</b>	<b>15.4%</b>

### COMPANY DATA

BLOOMBERG CODE:	FCT SP
O/S SHARES (MN):	1,712
MARKET CAP (USD mn / SGD mn):	2933 / 3869
52 - WK HI/LO (SGD):	2.35 / 2.01
3M Average Daily T/O (mn):	2.69

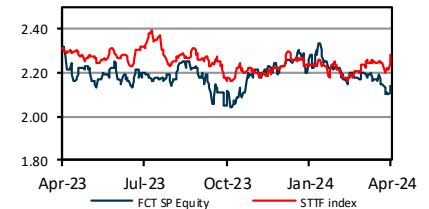
### MAJOR SHAREHOLDERS

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)	(2.2)	(3.5)
STTF RETURN	(1.4)	(0.8)	(3.0)

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Sept	FY22	FY23	FY24e	FY25e
Gross Rev (SGD mn)	357	370	357	363
NPI (SGD mn)	259	266	252	256
Dist Inc. (SGD mn)	208	208	219	225
P/NAV (x)	0.93	0.94	0.94	0.94
DPU, adj (Cents)	12.23	12.15	12.12	12.43
Distribution Yield	5.6%	5.6%	5.6%	5.7%

Source: Company, PSR

### Valuation Method

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

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**Outlook**

Resilient tenant sales and low incoming new retail supply should support FCT's ability to raise rents further, supported by the healthy occupancy cost of c.15.5%. Inorganic growth opportunities include the acquisition of the sponsor's stake in Northpoint City South Wing and the remaining 50% stake in NEX. Utility costs are expected to increase slightly in FY24e, from 10% of overall Opex to 11%.

By May 24, over 80% of the AEI space at Tampines 1 will be handed over to tenants, with full completion expected by Sep 24. The mall continues to operate as works are staged, and more than 99% of the AEI space has been pre-committed to date.

**Maintain ACCUMULATE with an unchanged DDM TP of S\$2.38**

Catalysts include stronger-than-forecast rental reversions and accretive acquisitions. Risks include a slowdown in retail sales. The current share price implies an FY24e DPU yield of 5.6%.

## Financials

### Statement of Total Return and Distribution Statement

Y/E Sep, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>Gross Revenue</b>	341	357	370	357	363
Total Property expenses	(95)	(98)	(104)	(105)	(107)
<b>Net Property Income</b>	<b>247</b>	<b>259</b>	<b>266</b>	<b>252</b>	<b>256</b>
Net Finance (Expense)/Inc	(46)	(47)	(81)	(89)	(89)
Trust expenses	(3)	(4)	(4)	(3)	(3)
Manager's management fees	(32)	(33)	(35)	(31)	(29)
<b>Net Income</b>	<b>166</b>	<b>176</b>	<b>149</b>	<b>129</b>	<b>134</b>
Share of associate's results	(1)	(1)	6	-	-
Share of JV's results	17	25	51	70	71
Other Adjustments	16	12	20	23	22
<b>Distribution to Unitholders</b>	<b>205</b>	<b>208</b>	<b>208</b>	<b>219</b>	<b>225</b>

### Per share data

Y/E Sep, SGD	FY21	FY22	FY23	FY24e	FY25e
NAV	2.30	2.33	2.32	2.31	2.30
DPU (Cents)	12.09	12.23	12.15	12.12	12.43

### Cash Flow

Y/E Sep, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
Net Income	172	201	212	198	206
Adjustments	43	25	28	35	33
WC changes	(5)	9	3	(9)	1
<b>Cashflow from operating activities</b>	<b>198</b>	<b>234</b>	<b>243</b>	<b>224</b>	<b>239</b>
<b>CFI</b>					
Capex on inv properties	-	(6)	(8)	(5)	(5)
Others	(471)	22	(349)	111	69
<b>Cashflow from investing activities</b>	<b>(471)</b>	<b>16</b>	<b>(357)</b>	<b>106</b>	<b>64</b>
<b>CFF</b>					
Share issuance	1,335	-	-	200	-
Distributions to Unitholders	(150)	(208)	(208)	(208)	(219)
Others	(899)	(46)	316	(291)	(87)
<b>Cashflow from financing activities</b>	<b>286</b>	<b>(254)</b>	<b>108</b>	<b>(299)</b>	<b>(306)</b>
<b>Net change in cash</b>	<b>14</b>	<b>(4)</b>	<b>(6)</b>	<b>31</b>	<b>(2)</b>
<b>CCE, end</b>	<b>42</b>	<b>38</b>	<b>32</b>	<b>63</b>	<b>61</b>

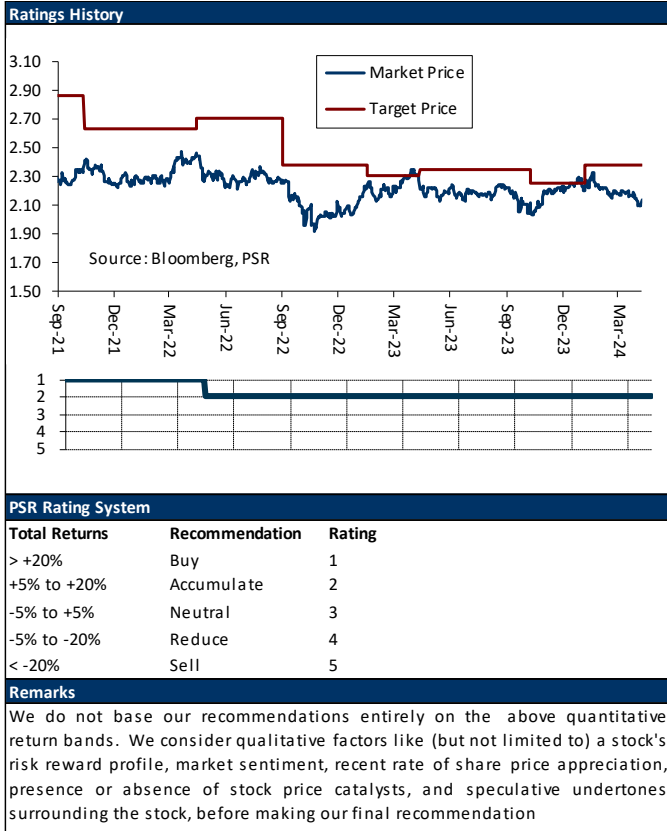
Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Sep, SGD mn	FY21	FY22	FY23	FY24e	FY25e
<b>ASSETS</b>					
Investment properties	5,507	5,516	5,221	5,225	5,230
Investment in JV	294	312	731	1,250	1,252
<b>Non Current Assets</b>	<b>5,848</b>	<b>5,891</b>	<b>5,966</b>	<b>6,490</b>	<b>6,497</b>
Trade and Other Receivables	9.0	8.9	8.8	10.7	10.9
Cash and Cash Equivalents	42	38	32	63	61
<b>Current Assets</b>	<b>51</b>	<b>50</b>	<b>409</b>	<b>77</b>	<b>75</b>
<b>Total Assets</b>	<b>5,899</b>	<b>5,941</b>	<b>6,375</b>	<b>6,567</b>	<b>6,572</b>
<b>LIABILITIES</b>					
Interest bearing borrowings	1,604	1,419	1,842	1,676	1,639
Others	54	50	56	56	56
<b>Non-Current Liabilities</b>	<b>1,658</b>	<b>1,470</b>	<b>1,898</b>	<b>1,732</b>	<b>1,695</b>
Trade and other payables	76	71	95	88	89
Interest bearing borrowings	205	391	353	513	553
Others	42	46	55	55	55
<b>Current Liabilities</b>	<b>322</b>	<b>507</b>	<b>504</b>	<b>657</b>	<b>697</b>
<b>Total Liabilities</b>	<b>1,980</b>	<b>1,977</b>	<b>2,402</b>	<b>2,388</b>	<b>2,392</b>
<b>EQUITY</b>					
<b>Shareholder Equity</b>	<b>3,919</b>	<b>3,964</b>	<b>3,973</b>	<b>4,179</b>	<b>4,180</b>

### Valuation Ratios

Y/E Sep	FY21	FY22	FY23	FY24e	FY25e
P/NAV (x)	0.94	0.93	0.94	0.94	0.94
Distribution yield	5.6%	5.6%	5.6%	5.6%	5.7%
NPI yield	4.5%	4.7%	5.1%	4.8%	4.9%
<b>Growth &amp; Margins</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24e</b>	<b>FY25e</b>	<b>FY26e</b>
<b>Growth</b>					
Revenue	107.5%	4.6%	3.6%	-3.5%	1.8%
Net property income (NPI)	122.4%	4.9%	2.7%	-5.2%	1.8%
DPU	33.7%	1.2%	-0.6%	-0.2%	2.5%
<b>Margins</b>					
NPI margin	72.3%	72.5%	71.8%	70.6%	70.6%
Net Income Margin	48.6%	49.2%	40.3%	36.0%	37.0%
<b>Key Ratios</b>					
Gearing	32.9%	32.8%	39.3%	33.3%	33.4%
ROA	2.8%	3.0%	2.3%	2.0%	2.0%
ROE	4.2%	4.4%	3.8%	3.1%	3.2%
Interest coverage ratio (x)	5.38	5.53	3.29	2.82	2.87



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