

# First REIT

A buyer for Indonesian hospitals



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## SINGAPORE | REAL ESTATE (REIT) | UPDATE

16 January 2025

- FIRT received a preliminary non-binding letter of intent (LOI) from PT Siloam International Hospitals Tbk (Siloam) to acquire FIRT's portfolio of 14 Indonesian hospitals (72% of AUM). We view this positively as (i) Siloam's interest in the assets supports the inherent value of the Indonesian hospitals, (ii) the proceeds from the sale could provide FIRT with more financial capacity for future acquisitions in developed markets such as Australia and Japan, and (iii) the sale could unlock considerable value for unitholders. Siloam is the current tenant and operator of the hospitals and is 65% owned and controlled by CVC Capital Partners.
- FIRT's NAV per share of 29.16 cents is reinforced by Siloam's interest as a buyer. Also, we expect any sale of the Indonesian hospitals to be above valuations in order to gain shareholder approval.
- Maintain BUY with an unchanged DDM-derived target price of S\$0.30. FIRT is undergoing a strategic review to evaluate all options and deliver sustainable long-term value for its unitholders. There is also no certainty that any transaction will materialise from the strategic review or LOI. As this LOI is in its preliminary stage, there is no change to our estimates. FIRT is trading at an attractive forward FY24e/25e distribution yield of 8.9%/9.5%.

### What's next?

The board has appointed a financial adviser to assist in conducting the strategic review to explore and evaluate all options for FIRT. Options include but are not limited to: (i) exploration of joint ventures, (ii) strategic partnerships, and (iii) asset acquisitions and/or asset divestments. If a deal materialises, FIRT may use the divestment proceeds to acquire assets in developed markets like Australia and Japan, aligning with the First REIT 2.0 growth strategy, which aims to have assets in developed markets account for more than 50% of AUM by 2027. A portion of the proceeds could also be returned to unitholders.

### BUY (Maintained)

LAST CLOSE PRICE	SGD 0.27
FORECAST DIV	SGD 0.02
TARGET PRICE	SGD 0.30
TOTAL RETURN	24.0%

#### COMPANY DATA

BLOOMBERG CODE:	FIRT SP
O/S SHARES (MN) :	2,094
MARKET CAP (\$ mn / SGD mn) :	405 / 555
52 - WK HI/LO (SGD) :	0.28 / 0.24
3M Average Daily T/O (mn) :	0.97

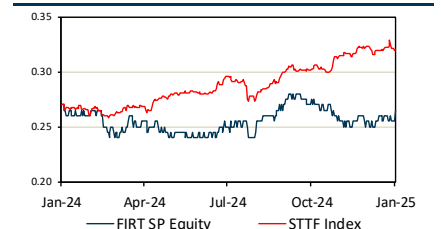
#### MAJOR SHAREHOLDERS (%)

OUE REALTY PTE LTD	35.1%
FIRST REIT MGMT LIMITED	9.9%
VANGUARD GROUP INC	1.9%

#### TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	0.0	(3.4)	0.0
STTF RETURN	(1.2)	6.0	0.1

#### PRICE VS. STTF



Source: Bloomberg, PSR

#### KEY FINANCIALS

Y/E Dec (\$m)	FY22	FY23	FY24e	FY25e
Gross Revenue	111.3	108.6	103.2	102.1
NPI	108.6	105.3	100.2	99.1
Dist. Inc.	52.4	51.4	49.4	53.1
P/NAV (x)	0.86	0.88	0.87	0.87
DPU (\$ cents)	2.64	2.48	2.36	2.51
Dist. Yield (%)	9.96	9.35	8.91	9.49

Source: Company, PSR

#### VALUATION METHOD

DDM (Cost of Equity: 10.5%; Terminal g: 2%)

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## Financials

### Income statement

Y/E Dec, (S\$'000)	FY21	FY22	FY23	FY24e	FY25e
Gross revenue	102,346	111,275	108,568	103,229	102,109
Property expenses	(2,130)	(2,716)	(3,234)	(3,075)	(3,042)
Net property income	100,216	108,559	105,334	100,154	99,067
Net Finance (Expense)/Inc.	(16,889)	(19,157)	(22,191)	(22,100)	(22,043)
Manager's fees	(4,145)	(4,041)	(3,713)	(3,715)	(3,765)
Other items	(2,320)	73,043	(8,202)	(7,807)	(7,741)
FV change, derivatives & pptides	(1,052)	(106,450)	6,988	-	-
Net income before tax	75,810	51,954	78,216	66,533	65,518
Taxation	(12,697)	(18,369)	(14,877)	(13,307)	(13,104)
Net income after Tax	63,113	33,585	63,339	53,226	52,414
Distribution adjustments	(21,053)	18,765	(11,890)	(3,783)	726
Income available for distribution	42,060	52,350	51,449	49,444	53,140

### Per unit data

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
NAV (S\$)	0.37	0.31	0.30	0.30	0.31
DPU (cents)	2.61	2.64	2.48	2.36	2.51

### Cash Flow

Y/E Dec, (S\$'000)	FY21	FY22	FY23	FY24e	FY25e
<b>CFO</b>					
Net income before tax	75,810	51,954	78,216	66,533	65,518
Adjustments	(2,255)	27,386	3,731	14,392	17,473
WC changes	(2,552)	28,339	136	3,021	(3,188)
Cash generated from ops	71,003	107,679	82,083	83,946	79,803
Others	(4,421)	(14,599)	(12,128)	(13,307)	(13,104)
Cashflow from ops	66,582	93,080	69,955	70,639	66,700

### CFI

Acquisitions	-	(25,777)	-	-	-
Capex, net	(662)	(4,306)	(4,923)	(4,898)	(4,971)
Others	5,899	12,424	300	392	450
Cashflow from investments	5,237	8,118	(4,623)	(4,506)	(4,521)

### CFF

Proceeds from issuance of units	157,702	-	-	-	-
Loans, net of repayments	(145,557)	(14,532)	2,365	-	-
Distributions	(38,168)	(49,489)	(52,136)	(49,444)	(53,140)
Others	(14,054)	(38,630)	(19,489)	(19,130)	(19,302)
Cashflow from financing	(40,077)	(102,651)	(69,260)	(68,574)	(72,442)
Net change in cash	31,742	(1,453)	(3,928)	(2,440)	(10,263)
Cash at the start of the period	19,292	51,203	46,103	40,266	37,826
FX changes	169	(3,647)	(1,909)	-	-
Ending cash	51,203	46,103	40,266	37,826	27,562

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec, (S\$'000)	FY21	FY22	FY23	FY24e	FY25e
<b>ASSETS</b>					
Investment properties	962,447	1,145,343	1,139,468	1,156,415	1,170,293
Others	28	1,262	1	-	-
Total non-current assets	962,475	1,146,605	1,139,469	1,156,415	1,170,293
Trade receivables	32,488	5,027	6,249	4,473	6,133
Cash	51,203	46,103	40,266	37,826	27,562
Others	3,369	890	1,347	1,347	1,347
Total current assets	87,060	52,020	47,862	43,645	35,042
Total Assets	1,049,535	1,198,625	1,187,331	1,200,060	1,205,335
<b>LIABILITIES</b>					
Loans and borrowings	99,258	1,453	920	920	920
Trade payables	18,888	14,994	12,402	13,647	12,119
Others	9,015	4,744	4,369	4,369	4,369
Total current liabilities	127,161	21,191	17,691	18,936	17,408
Loans and borrowings	249,953	449,613	448,926	448,926	448,926
Others	20,601	62,459	60,548	60,548	60,548
Total non-current liabilities	270,554	512,072	509,474	509,474	509,474
Total Liabilities	397,715	533,263	527,165	528,410	526,882
Net assets	651,820	665,362	660,166	671,650	678,453
Represented by:					
Unitholders' funds	651,820	665,362	660,166	671,650	678,453

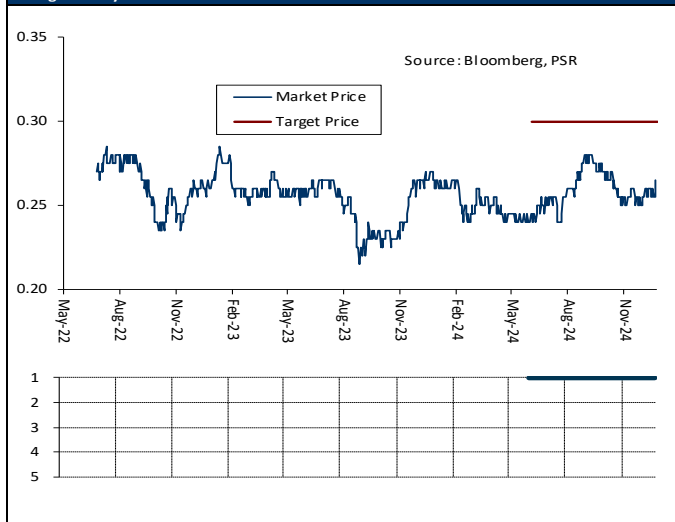
### Valuation Ratios

Y/E Dec	FY21	FY22	FY23	FY24e	FY25e
P/NAV (x)	0.72	0.86	0.88	0.87	0.87
Distribution Yield (%)	9.8	10.0	9.3	8.9	9.5
NPI yield (%)	20.8	10.3	9.2	8.7	8.5

### Growth & Margins

<b>Growth</b>					
Revenue	-45.3%	8.7%	-2.4%	-4.9%	-1.1%
Net property income (NPI)	-14.6%	8.3%	-3.0%	-4.9%	-1.1%
Distributable income	-52.8%	24.5%	-1.7%	-3.9%	7.5%
DPU	0.5%	1.2%	-6.2%	-4.7%	6.6%
<b>Margins</b>					
NPI margin	97.9%	97.6%	97.0%	97.0%	97.0%
<b>Key Ratios</b>					
Net Debt or (Net Cash)	298,008	404,963	409,580	412,020	422,284
Gearing	33.3%	37.6%	37.9%	37.5%	37.3%

## Ratings History



## PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

## Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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