

First REIT

Impacted by FX headwinds



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SINGAPORE | REAL ESTATE (REIT) | FY24 RESULTS

13 February 2025

- 4Q24/FY24 DPU of 0.58/2.36 Singapore cents (-6.5%/-4.8% YoY) was in line with our estimates, forming 25%/100% of our FY24e forecast. The YoY decline in DPU was due to the depreciation of the IDR and JPY against the SGD, partially offset by higher rental income in local currency terms. 4Q24 DPU of 0.58 cents was unchanged QoQ.
- Revenue growth for Indonesian properties in local currency terms improved in 4Q24 to 5.5% YoY (9M24: +4.4%), driven by higher performance-based rents. MPU made some payments in 4Q24 but still owes S\$4.6mn as of 31 December 2024.
- Maintain BUY with a higher DDM-derived target price of S\$0.32 (prev. S\$0.30) as we roll forward our forecasts. Our estimates remain unchanged. First REIT is trading at an attractive forward FY25e distribution yield of 9.2%. Organic growth will come from more Indonesian hospitals achieving performance-based rent. FIRT is conducting a strategic review to assess Siloam's letter of intent (LOI) to acquire its hospital assets in Indonesia and to evaluate all options, aiming to deliver long-term value for unitholders.

Results at a glance

(\$'mn)	2H24	2H23	YoY	FY24	FY23	YoY	Comments
Gross revenue	50.2	54.6	-8.0%	102.2	108.6	-5.9%	Impacted by the stronger SGD against the IDR and JPY, partially offset by higher rental income in local currency terms.
Net property income	48.2	52.9	-9.0%	98.5	105.3	-6.5%	Higher property expenses for properties in Indonesia and Japan.
Finance costs	(11.5)	(11.5)	-0.1%	(22.8)	(22.7)	0.3%	
Distributable Income	24.3	25.9	-6.4%	49.3	51.4	-4.1%	
DPU (\$ cts)	1.16	1.24	-6.5%	2.36	2.48	-4.8%	

Source: Company, PSR

The Positives

+ Higher contributions from Indonesian hospitals in local currency terms. In FY24, rental income from Indonesia grew 4.7% YoY (9M24: +4.4%) in local currency terms, exceeding the 4.5% base rent escalation due to higher contributions from performance-based rent. Rental income in Singapore grew 2%, while income from Japan remained stable YoY in local currency terms.

+ Stable capital management. The all-in cost of debt remained stable QoQ at 5%, and the percentage of debt hedged to a fixed rate dropped to 56.9% as 30% of hedges matured in 4Q24. As S\$42mn of hedges expire in Sep 25 and the remaining in Dec 25, we expect interest costs to remain stable in FY25 and to start trending down in FY26. Income from Japan is fully hedged till end-2025, while income from Indonesia is not. Gearing and adjusted interest coverage ratio (ICR) remain healthy at 39.6% and 3.6 times, respectively. FIRT has no refinancing requirements until May 26.

The Negative

- MPU still owes S\$4.6mn in overdue rent. In 4Q24, FIRT collected S\$2.4mn from MPU, and together with the security deposit of c.S\$2.2mn that was used to offset rental arrears, the outstanding amount decreased from S\$7.9mn in 3Q24 to S\$4.6mn. FIRT has not provided any loss allowance for the outstanding sum from MPU.

- Portfolio valuations decreased 1.9% to S\$1.1bn due to FX. In local currency terms, valuations for the Indonesia portfolio improved by 1.5% due to higher rent, a lower discount rate, and terminal rate. Japan's portfolio remained stable in local currency, while Singapore's valuation decreased 4.1% due to reduced land tenure.

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.28
FORECAST DIV	SGD 0.03
TARGET PRICE	SGD 0.32
TOTAL RETURN	24.0%

COMPANY DATA

BLOOMBERG CODE:	FIRT SP
O/S SHARES (MN) :	2,094
MARKET CAP (\$ mn / SGD mn) :	425 / 576
52 - WK HI/LO (SGD) :	0.28 / 0.24
3M Average Daily T/O (mn) :	1.05

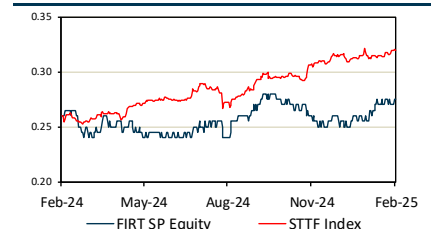
MAJOR SHAREHOLDERS (%)

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

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	7.8	8.2	7.8
STTF RETURN	2.1	4.7	2.9

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (\$'m)	FY23	FY24	FY25e	FY26e
Gross Revenue	108.6	102.2	102.1	101.2
NPI	105.3	98.5	99.1	98.2
Dist. Inc.	51.4	49.3	53.2	55.5
P/NAV (x)	0.91	0.96	0.95	0.95
DPU (\$ cents)	2.48	2.36	2.52	2.61
Dist. Yield (%)	9.02	8.58	9.17	9.50

Source: Company, PSR

VALUATION METHOD

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

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Outlook

FIRT is strategically executing its 2.0 Growth Strategy, targeting a portfolio where developed markets make up over 50% by FY27. This shift towards developed markets will reduce its exposure to the Indonesian economy and the volatility of the IDR. If Siloam successfully acquires FIRT's hospital assets in Indonesia, the proceeds could be redeployed to pay off debt and fund acquisitions in more stable, developed markets like Australia and Japan, accelerating this strategy. In the meantime, FIRT continues to benefit from the 4.5% base rent escalation for its Indonesian hospitals, which could potentially offset the impact of the depreciating IDR against the SGD.

Maintain BUY with a higher DDM TP of S\$0.32

The long WALE of over 10 years and base rental escalation for FIRT's portfolio continue to provide earnings visibility going forward. The current share price implies an FY25e DPU yield of 9.2%.

Financials

Income statement

Y/E Dec, (S\$'000)	FY22	FY23	FY24	FY25e	FY26e
Gross revenue	111,275	108,568	102,211	102,118	101,186
Property expenses	(2,716)	(3,234)	(3,758)	(3,042)	(3,014)
Net property income	108,559	105,334	98,453	99,076	98,172
Net Finance (Expense)/Inc.	(19,157)	(22,191)	(22,411)	(22,240)	(21,369)
Manager's fees	(4,041)	(3,713)	(3,729)	(3,607)	(3,647)
Other items	73,043	(8,202)	(7,875)	(7,900)	(7,844)
FV change, derivatives & pptides	(106,450)	6,988	(13,862)	-	-
Net income before tax	51,954	78,216	50,576	65,329	65,312
Taxation	(18,369)	(14,877)	(13,822)	(13,066)	(13,062)
Net income after Tax	33,585	63,339	36,754	52,264	52,249
Distribution adjustments	18,765	(11,890)	12,562	931	3,291
Income available for distribution	52,350	51,449	49,316	53,195	55,541

Per unit data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV (S\$)	0.31	0.30	0.29	0.29	0.29
DPU (cents)	2.64	2.48	2.36	2.52	2.61

Cash Flow

Y/E Dec, (S\$'000)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Net income before tax	51,954	78,216	50,576	65,329	65,312
Adjustments	27,386	3,731	28,771	20,300	22,573
WC changes	28,339	136	(1,182)	3,312	(3,467)
Cash generated from ops	107,679	82,083	78,165	88,942	84,418
Others	(14,599)	(12,128)	(12,392)	(13,066)	(13,062)
Cashflow from ops	93,080	69,955	65,773	75,876	71,356

CFI

Acquisitions	(25,777)	-	(75)	-	-
Capex, net	(4,306)	(4,923)	(5,859)	(5,749)	(5,824)
Others	12,424	300	420	435	398
Cashflow from investments	8,118	(4,623)	(5,439)	(5,314)	(5,426)

CFF

Proceeds from issuance of units	-	-	-	-	-
Loans, net of repayments	(14,532)	2,365	4,446	-	-
Distributions	(49,489)	(52,136)	(50,109)	(53,195)	(55,541)
Others	(38,630)	(19,489)	(19,255)	(19,086)	(18,215)
Cashflow from financing	(102,651)	(69,260)	(64,918)	(72,281)	(73,756)
Net change in cash	(1,453)	(3,928)	(4,584)	(1,719)	(7,826)
Cash at the start of the period	51,203	46,103	40,266	34,674	32,955
FX changes	(3,647)	(1,909)	(1,008)	-	-
Ending cash	46,103	40,266	34,674	32,955	25,129

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (S\$'000)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Investment properties	1,145,343	1,139,468	1,118,008	1,132,674	1,144,269
Others	1,262	1	64	-	-
Total non-current assets	1,146,605	1,139,469	1,118,072	1,132,674	1,144,269
Trade receivables	5,027	6,249	6,724	3,882	6,627
Cash	46,103	40,266	34,674	32,955	25,129
Others	890	1,347	1,031	1,047	1,047
Total current assets	52,020	47,862	42,429	37,884	32,803
Total Assets	1,198,625	1,187,331	1,160,501	1,170,558	1,177,073

LIABILITIES

Loans and borrowings	1,453	920	880	880	880
Trade payables	14,994	12,402	12,641	13,127	12,406
Others	4,744	4,369	4,668	4,668	4,668
Total current liabilities	21,191	17,691	18,189	18,675	17,954
Loans and borrowings	449,613	448,926	452,602	452,602	452,602
Others	62,459	60,548	57,438	57,438	57,438
Total non-current liabilities	512,072	509,474	510,040	510,040	510,040
Total Liabilities	533,263	527,165	528,229	528,715	527,994

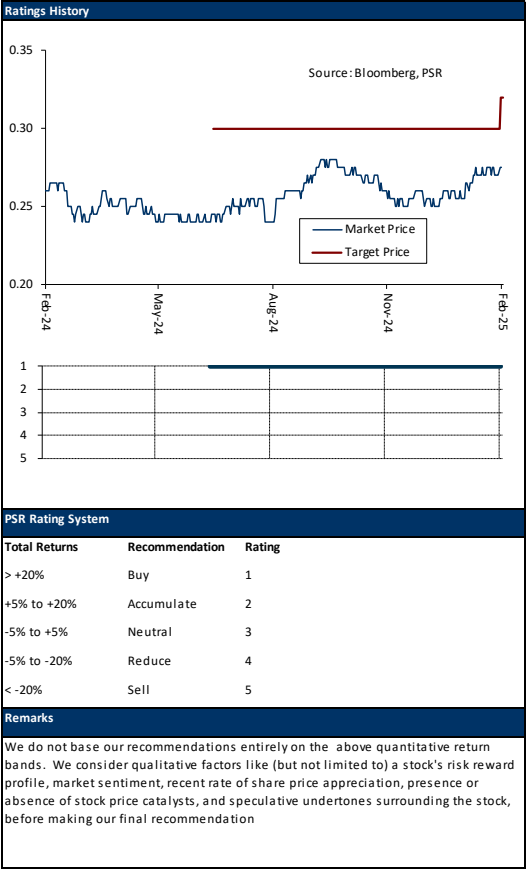
Net assets	665,362	660,166	632,272	641,843	649,079
Represented by:					
Unitholders' funds	665,362	660,166	632,272	641,843	649,079

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.90	0.91	0.96	0.95	0.95
Distribution Yield (%)	9.6	9.0	8.6	9.2	9.5
NPI yield (%)	10.3	9.2	8.7	8.8	8.6

Growth & Margins

Growth					
Revenue	8.7%	-2.4%	-5.9%	-0.1%	-0.9%
Net property income (NPI)	8.3%	-3.0%	-6.5%	0.6%	-0.9%
Distributable income	24.5%	-1.7%	-4.1%	7.9%	4.4%
DPU	1.2%	-6.1%	-4.8%	6.8%	3.7%
Margins					
NPI margin	97.6%	97.0%	96.3%	97.0%	97.0%
Key Ratios					
Net Debt or (Net Cash)	404,963	409,580	418,808	420,527	428,353
Gearing	37.6%	37.9%	39.1%	38.7%	38.5%



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