

Fraser's Centrepont Trust

Main malls performance decent; but Bedok Point still sluggish
SINGAPORE | REAL ESTATE (REIT) | RESULTS

23 April 2015

Highlights

- 97.1% portfolio occupancy **vs** 96.4% (31 Dec 14)
- Gearing level at 28.6% **vs** 29.3% (31 Dec 14)
- 87% of borrowings on fixed rates **vs** 75% (30 Sept 14)
- 16.1% of leases by GRI left to be renewed for remaining half of FY2015 **vs** 39.4% at start of FY

What is the news?

Fraser's Centrepont Trust (FCT) announced its 2Q15 results after market close yesterday. Below are some key numbers.

ACCUMULATE (Maintained)

CLOSING PRICE	SGD 2.110
FORECAST DIV	SGD 0.122
TARGET PRICE	SGD 2.140
TOTAL RETURN	7.2%

COMPANY DATA

O/S SHARES (MN):	96
MARKET CAP (USD mn / SGD mn):	1436 / 1933
52 - WK HI/LO (SGD):	2.12 / 1.78
3M Average Daily T/O (mn):	145

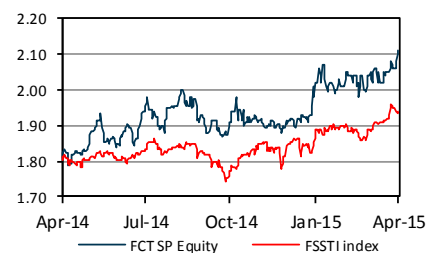
MAJOR SHAREHOLDERS (%)

FRASERS CENTREPOINT LTD	41.3%
SCHRODERS PLC	6.0%
CAPITAL GROUP COMPANIES	4.1%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	2.9	5.4	23.2
STIRETURN	2.6	4.3	10.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept	FY 13	FY 14	FY 15e	FY 16e
Gross Rev (SGD mn)	158.0	168.8	193.7	196.0
NPI (SGD mn)	111.6	118.1	139.0	140.6
Dist Inc. (SGD mn)	90.1	95.4	111.5	112.4
P/NAV (x)	0.99	1.02	1.09	1.09
DPU, adj (Cents)	10.90	11.20	12.20	12.20
Distribution Yield, %	5.9	5.9	6.1	6.1

Source: Company Data, Bloomberg

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Results at a glance

(SGD mn)	2Q15	2Q14	y-y (%)	1H15	1H14	y-y (%)	Comments
Gross revenue	47.5	41.0	15.9	96.7	80.9	17.1	Contribution from Changi City Point (CCP)
Property Expenses	(13.9)	(11.7)	19.6	(28.2)	(23.2)	21.5	
Net property income	33.5	29.3	14.4	66.4	57.6	15.3	
Distribution to Unitholders	27.2	23.8	14.1	52.4	44.4	17.8	
DPU (Cents)	2.96	2.88	2.9	5.71	5.38	6.2	

Source: Company, Phillip Securities Research (Singapore)

Analyst briefing key takeaway

- 2Q15 shopper traffic (ex Changi City Point) up 2% y-y. Management has guided that this was driven mainly by Causeway Point. Apart from Yew Tee Point and Causeway Point, other malls posted slight declines in shopper traffic.
- Updates on Changi City Point: Dip in occupancy due to Gain City giving up shop space, which is in transition for a new tenant. New tenant, Japanese fashion retailer Uniqlo is expected to open in mid-May. Rental reversions are also expected to stay healthy as current tenants are mostly on low rental rates, according to management.
- Causeway Point: Achieved better sales/psf of the whole portfolio. 1H2015 rental reversions now stand at close to 8%. Management will strive to maintain this level of reversion for the FY.
- Bedok Point: Large negative rental reversion due to incentives being offered to an F&B outlet to maintain the tenancy. Management has guided that prospects remain uncertain for Bedok Point and they may have to continue offering low rents to achieve their tenant mix.

How do we view this?

Singapore's retail sector is facing headwinds lately with sluggish retail sales and not so fantastic tourist numbers (not surprising that [STB is doing all it can to boost tourist numbers](#) with new marketing campaigns.) We have had high profile retail closures this year such as Marks and Spencer and Cold Storage stores at Centrepont, John Little stores at Marina Square and Tiong Bahru, and several other Royal Sporting House outlets. Japanese fashion label Lowrys farm also announced the closure of all of its 8 outlets in January this year.

The recent rise in short term interest rates ([3m SIBOR climbed to highest in 7years](#)) could have also taken a bite out of consumers' discretionary spending with heavily mortgaged Singaporeans now having to pay more every month for their housing loans.

Nonetheless, we still like FCT for its defensive portfolio of suburban malls which cater to the primary catchment areas in the neighbourhoods. Biggest and main property of portfolio Causeway Point (~45% by NPI) has performed decently with little neighbouring mall

competition. Other malls such as Changi City Point should also see improved vibrancy with the official opening of the Singapore University of Technology and Design in May 2015 and the soon-to-be-opened Uniqlo.

Investment Actions

We maintain our "ACCUMULATE" rating and DDM-derived TP of S\$2.14.

Financials
Statement of Total Return and Distribution Statement

Y/E Sept, SGD mn	FY12	FY13	FY14	FY15e	FY16e
Gross Revenue	147.2	158.0	168.8	193.7	196.0
Total Property expenses	(42.8)	(46.4)	(50.7)	(54.7)	(55.4)
Net Property Income	104.4	111.6	118.1	139.0	140.6
Net Finance (Expense)/Inc	(18.2)	(17.7)	(18.5)	(19.7)	(20.3)
Asset Manager's fees	(10.7)	(11.5)	(12.9)	(14.1)	(14.2)
Net Income	74.0	80.9	85.1	103.5	104.5
FV change, Inv properties	100.8	195.7	69.5	-	-
Income available for distribution at beginning of yr	18.4	22.4	24.7	25.6	25.6
Net Tax adjustments	4.4	4.8	5.7	3.2	2.8
Distributions to unitholders	78.4	87.8	94.5	111.5	112.4
Income available for distribution at end of year	22.4	24.7	25.6	25.6	25.6

Per share data (Cents)

Y/E Sept	FY12	FY13	FY14	FY15e	FY16e
NAV	1.53	1.77	1.85	1.85	1.84
DPU	10.0	10.9	11.2	12.2	12.2

Cash Flow

Y/E Sept, SGD mn	FY12	FY13	FY14	FY15e	FY16e
CFO					
Net Income	185.6	287.8	165.1	103.5	104.5
Adjustments	(93.3)	(186.8)	(58.4)	16.0	16.6
WC changes	5.4	11.8	(6.4)	5.1	(0.2)
Cashflow from ops	97.7	112.8	100.3	131.2	127.4
CFI					
Divd from associates & JVs	3.9	4.4	4.6	4.8	5.0
Cashflow from investments	(27.7)	(5.0)	(295.6)	3.4	3.7
CFF					
Share issuance	-	-	161.5	-	-
Loans, net of repayments	18.0	12.0	150.0	-	-
Distributions to unitholders	(78.4)	(87.8)	(94.5)	(111.5)	(112.4)
Cashflow from financing	(77.7)	(90.9)	197.4	(134.3)	(135.7)
Net change in cash	(7.6)	16.8	2.0	0.3	(4.7)
CCE, end	22.9	39.7	41.7	42.0	37.4

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Sept, SGD mn	FY12	FY13	FY14	FY15e	FY16e
ASSETS					
Investment properties	1,816	2,020	2,400	2,400	2,400
Investment in Associates	71.8	71.7	74.5	74.5	74.5
Non Current Assets	1,888	2,091	2,475	2,475	2,475
Trade and Other Receivables	6.3	3.5	5.3	6.1	6.2
Cash and Cash Equivalents	22.9	39.7	41.7	42.0	37.4
Current Assets	29.2	43.2	47.2	48.2	43.5
Total Assets	1,917	2,135	2,522	2,523	2,518
LIABILITIES					
Trade and other payables	39.9	45.7	39.9	45.8	46.3
Current portion of security deposit	13.8	14.2	17.5	17.5	17.5
Interest bearing borrowings	58.0	60.0	95.0	264.0	190.0
Current Liabilities	112.4	120.6	153.2	328.1	254.6
Interest bearing borrowings	519.0	529.0	644.0	475.0	549.0
Non current portion of security deposit	22.0	22.0	25.3	25.3	25.3
Non Current liabilities	541.7	551.5	669.9	500.9	574.9
Total Liabilities	654.1	672.2	823.1	829.0	829.5

EQUITY

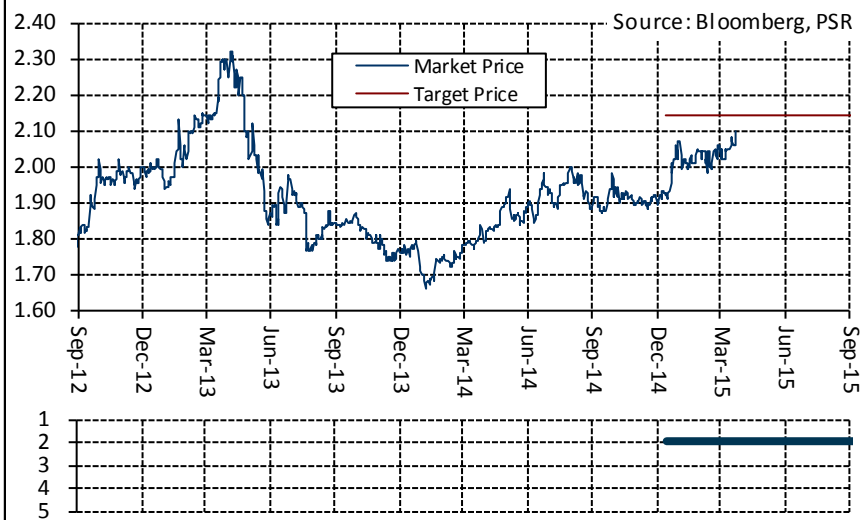
Shareholder Equity	1,263.0	1,462.4	1,698.7	1,693.8	1,688.6
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Valuation Ratios

Y/E Sept	FY12	FY13	FY14	FY15e	FY16e
P/NAV	1.31	0.99	1.02	1.09	1.09
Distribution yield (%)	5.53	5.92	5.93	6.05	6.08
NPI yield (%)	5.8%	5.5%	4.9%	5.8%	5.9%

Growth & Margins (%)

	FY12	FY13	FY14	FY15e	FY16e
Growth					
Revenue	24.9%	7.3%	6.8%	14.8%	1.2%
Net property income (NPI)	26.4%	6.9%	5.8%	17.7%	1.2%
DPU	20.3%	11.7%	6.8%	14.2%	0.6%
Margins					
NPI margin	70.9%	70.6%	70.0%	71.8%	71.8%
Net Income Margin	50.3%	51.2%	50.5%	53.5%	53.3%
Key Ratios					
Net Gearing (X)	30.1%	27.6%	29.3%	29.4%	29.5%

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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